

Audit Committee

Date: **Thursday, 19 April 2018**

Time: **14:00**

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

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

Membership

Mr I Mackie - Chairman

Mr S Aquarone

Mr C Foulger

Mr A Jamieson

Mr S Morpew

Mr H Thirtle - Vice-Chairman

Mrs K Vincent

**Please note that the meeting will be preceded by an Audit committee
Member Training Session commencing at 1.30pm in the Colman Room.**

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

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

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A g e n d a

1. **To receive apologies and details of any substitute members attending**
2. **To confirm the minutes of the Audit Committee meeting held on 23 January 2018.** **Page 4**
3. **Declarations of Interest**

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

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

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

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an **Other Interest** in a matter to be discussed if it affects

 - your well being or financial position
 - that of your family or close friends
 - that of a club or society in which you have a management role
 - that of another public body of which you are a member to a greater extent than others in your ward.

If that is the case then you must declare such an interest but can speak and vote on the matter.
4. **Any items of business the Chairman decides should be considered as a matter of urgency**
5. **Norse Care** **Page 12**

Report by the Executive Director of Finance and Commercial Services and Managing Director Norse Care.
6. **LiquidLogic/Social Care System Replacement Implementation** **Page 16**

Report by the Executive Director of Adult Social Care.
7. **Norfolk Audit Services Report for the Half-Year ended 31 March 2018.** **Page 25**

Report by the Executive Director of Finance and Commercial Services.

8. Norfolk Audit Services Annual Internal Audit Report 2017-18	Page 38
Report by the Executive Director of finance and Commercial Services.	
9. External Auditor's Audit Plan 2017-18	Page 63
Report by the Executive Director of Finance and Commercial Services.	
10. Risk Management	Page 146
Report by the Executive Director of Finance and Commercial Services.	
11. Risk Management Annual Report 2017-18	Page 188
Report by the Executive Director of Finance and Commercial Services.	
12. Internal Audit Terms of Reference and Code of Ethics (incorporating the Interreg VA France Channel England Programme Audit Authority)	Page 200
Report by the Executive Director of Finance and Commercial Services.	
13. Work Programme	Page 224
Report by the Executive Director of Finance and Commercial Services.	

Audit Committee Group Meeting

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

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

Date Agenda Published: 11 April 2018



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Audit Committee
Minutes of the Meeting held on Tuesday 23 January 2018 at
10am in the Edwards Room, County Hall, Norwich

Present:

Mr I Mackie – Chairman
Mr C Foulger
Mr A Jamieson
Mr S Morphew
Mr H Thirtle – Vice-Chairman

1 Apologies for Absence

1.1 No apologies for absence were received.

2 Minutes

2.1 The minutes from the Audit Committee meeting held on 21 September 2017 were agreed as an accurate record and signed by the Chairman.

3 Declaration of Interests

3.1 Mr A Jamieson declared an other interest as a Director of Norse.

4 Items of Urgent Business

4.1 There were no items of urgent business.

5 Risk Management Report

5.1 The Committee received the report by the Executive Director of Finance & Commercial Services providing it with the corporate risk register as at January 2018, along with an update on the Risk Management Strategy 2016-19 and other related matters, following the latest review conducted during December 2017.

5.2 In presenting the report, the Risk Management Officer advised the Committee that, following the recent publication of the Ofsted Report which had judged Norfolk County Council Children's Services as "Requires Improvement", risk RM018 (Potential failure to move out of intervention) would be updated to reflect the work the department was doing towards achieving a "good" judgement.

5.3 The Committee was advised that Environment, Development and Transport Committee, at its meeting on Friday 19 January 2018 had considered risk RM 14336 (Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction completed early 2023). It was agreed that risk RM 14336 should be managed both on the departmental Environment, Development and Transport risk register and the corporate risk register, given its corporate significance.

- 5.4 The Committee welcomed Tom McCabe, Executive Director Community and Environmental Services to the meeting, who gave the Committee a brief update on the Third River Crossing and Northern Distributor Route (NDR) projects, during which the following points were noted:
- 5.4.1 RM017 – Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£205m).
- 5.4.1.1 The Executive Director advised that the NDR was on target to open at the end of March 2018 and that the contract would finish within the next 6-7 weeks.
- 5.4.1.2 Ongoing negotiations with the contractor were taking place to justify the historic costs and the Committee noted that, since October 2017, costs had been successfully contained. The expectation was that the final cost would be within the £205m budget allocation.
- 5.4.2 RM 14336 (Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction completed early 2023)
- 5.4.2.1 The Executive Director of Community and Environmental Services advised that the Environment, Development and Transport (EDT) Committee had considered the risk and it was agreed that risk RM14336 should be managed both on the departmental Environment, Development and Transport risk register and the corporate risk register, given its corporate significance.
- 5.4.2.2 It was expected that the Official Journal Notice of the European Union (OJEU) notice would be served early to mid-February 2018 after which engagement with potential contractors could begin.
- 5.4.2.3 EDT Committee had agreed to ask the NDR Working Group to continue its work after the NDR project had finished so it could oversee the Great Yarmouth 3rd River Crossing project and bring its contractual learning to the project. The working group would be able to use the knowledge it had gained to help it understand the issues and risks involved.
- 5.4.2.4 EDT Committee had agreed on a two-stage design and build procurement route for the Great Yarmouth 3rd river crossing scheme and had also agreed that NEC4 Engineering and Construction Contract (ECC) form of contract was the right one in commercial terms.
- 5.2.2.5 The Government had provided a grant of £98m for the project and expected the remaining costs to be met by local authorities and enterprises.
- 5.4.2.6 The Executive Director outlined the following timescales for the project:
- | | |
|--|---------------------------------|
| Submission of the OJEU (Official Journal Notice) | End January/early February 2018 |
| Contract and Procurement | Spring/Summer 2018 |
| Public Enquiry | Late 2018 |
| On site | Winter 2020 |

5.4.3 NDR – Western Link

The Committee was advised that the preferred route for the Norwich NDR Western Link remained under development and it was hoped to be in a position to move to the development of a business case within 12 months.

5.5 In response to questions by the Committee, the following points were noted:

5.5.1 Members were pleased that the NDR Working Group would have oversight of the Great Yarmouth 3rd River Crossing Project, and expressed the view that the Terms of Reference needed to be clear and updated to reflect the new aspect of its work.

5.5.2 The Executive Director of Community & Environment Services would circulate details of the NEC4 type contract to the Audit Committee members. The report considered by the EDT Committee at its meeting on 19 January 2018 could be found at the following link:
<http://norfolkcc.cmis.uk.com/norfolkcc/Meetings/tabid/70/ctl/ViewMeetingPublic/mid/397/Meeting/1364/Committee/18/Default.aspx>

5.5.3 Once the Great Yarmouth 3rd river crossing project contract procurement had taken place, responsibility for signing off the contract rested with full Council.

5.5.4 Due to the nature of the scheme, there was a limited pool of Contractors in a position to bid for the contract. A market engagement day had been held in Great Yarmouth in July 2017 and this had resulted in five interested bidders being taken through to initial dialogue stage. It was anticipated that three bidders would be taken through to the detailed dialogue and evaluation stage.

5.5.5 The Committee thanked Tom McCabe for attending the meeting.

5.6 The Committee considered all the corporate risks within the report, during which the following points were noted:

5.6.1 Due to their similarities, the Risk Management Officer agreed to liaise with the Executive Director of Finance and Commercial Services to explore the possibility of joining risk RM003 (Potential reputational and financial risk to NCC caused by failure to comply with statutory and/or national/local codes of practice relating to information compliance and information security) and RM007 (Potential risk of organisational failure due to data quality issues).

5.6.2 With regard to the Committee's request to receive an update on Risk RM019 (Failure to deliver a new fit for purpose social care system on time and to budget) at its April 2018 meeting, the Executive Director of Finance & Commercial Services suggested that it may wish to receive the presentation given at the Digital Innovation & Efficiency Committee meeting on 22 January 2018 at its next meeting. The presentation had included a system demonstration on the Liquid Logic reporting system.

5.6.3 With regard to risk RM006 (The potential risk of failure to effectively plan how the Council would deliver services over the next three years commencing

2018/19 – 2021), the Committee was reassured that Key Performance Indicators would be picked up as part of the development of the County Plan.

- 5.6.4 Regarding Risk RM014a (The amount spent on home to school transport at significant variance to predicted best estimates), the Committee asked what the direction of travel currently was and what was being done to reduce the cost of using taxis to transport service users. The Executive Director of Finance and Commercial Services reported that home to school transport was recognised as a big issue and the Acting Chairman of Children's Services Committee was looking at ways to reduce costs. The Committee was reassured that the risk was regularly monitored by the Children's Services management team.
- 5.6.5 The Committee agreed that the Director of NorseCare should be invited to attend the Audit Committee meeting in April 2018 so the Committee could further understand the risks and pressures on delivering social care in the current operating structure, and provide an opportunity to raise any issues, concerns and forward plans with the committee
- 5.7 The Committee **RESOLVED** to note:
- a) The changes to the corporate risk register (Appendices A and B of the report), the progress with mitigating the risks; and
 - b) The scrutiny options for managing corporate risks (Appendix C of the report);
 - c) The movement of corporate risks since the last meeting (Appendix D of the report).

6 Norfolk Audit Services Report for the Quarter ended 30 September 2017

- 6.1 The Committee received the report by the Executive Director of Finance & Commercial Services setting out how Internal Audit's work would contribute to the County Council's priorities around 'Caring for our County'.
- 6.2 In response to a question about the allocation of an appropriate investigator when a whistleblowing complaint was received, the Investigative Auditor clarified that he would carry out investigations involving finance fraud; any safeguarding complaints would be allocated to the appropriate safeguarding team; any specialist cases would be allocated to an appropriate senior manager. The Chief Internal Auditor had overall responsibility for overseeing whistleblowing complaints and these would be tracked, keeping the whistle blower informed of progress. The Whistleblowing Policy included a list of expected timescales for dealing with disclosures.
- 6.3 The Committee requested an internal bulletin be drafted and issued for publication on the Norfolk County Councils intranet which could signpost employees to the whistleblowing policy, including the whistleblowing telephone numbers.
- 6.4 The Committee **RESOLVED** to note:
- The overall opinion on the effectiveness of risk management and internal control being 'acceptable' and therefore considered 'sound'.

- Satisfactory progress with the traded schools audits and the operation of the Audit Authority for the France Channel England Interreg programme.
- 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.

7 External Auditor's Annual Audit Letter 2016-17 and Audit Committee Briefing

- 7.1 The Committee received the report by the Executive Director of Finance & Commercial Services introducing the External Auditor's Annual Audit Letter 2016-17. The letter was one of certain communications that EY must provide to the Audit Committee of the audited client. The Pensions Committee would receive a separate letter for its approval. The letter was available on the Council's website.
- 7.2 The Committee welcomed Mr D Riglar from Ernst & Young who had attended the meeting to present the report and answer questions from the Committee. In presenting the report, Mr Rigler reminded the Committee of the earlier timescale for the signing off of the 2017-18 accounts, which was by 31 July 2018. He also advised that there would be no change to fees, apart from the core audit fee which was similar to the 2015-16 charges.
- 7.3 The Committee wished to place on record its thanks to the Finance Team and the Internal Audit Team for their excellent work in achieving an unqualified audit opinion.
- 7.4 The following points were noted in response to questions from the Committee:
- 7.4.1 Although the deadline for signing off the accounts by 31 July 2018 would be tight, the Committee was reassured that the timescale was achievable and that staff had been working toward this new deadline for some time.
- 7.4.2 The Executive Director of Finance and Commercial Services would let Mr Jamieson have a written response about where Norse and Independence Matters could be found within the NCC group accounts.
- 7.5 The Committee **RESOLVED** to note:
- The External Auditor's Audit Letter 2016-17.
 - The key messages and questions contained in the briefing.

8 Internal Audit Strategy, Approach, Strategic Plan 2018-21 and Internal Audit Plan for the first half of the year 2018-19.

- 8.1 The Committee received the report by the Executive Director of Finance & Commercial Services setting out the Internal Audit Strategy, Approach, Strategic Plan and Internal Audit Plan.
- 8.2 The Committee **RESOLVED** to note:

- That Internal Audit's strategy and plan, contribute to an effective system of internal audit and risk management and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards (2016) and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice.
- The strategy and plan being the; Internal Audit Strategy 2018-21, the Approach 2018-19, the Three Year Strategic Audit Planned Days to support the Audit Opinion, the Summary Internal Audit Plan for the first half of the year 2018-19 for work supporting the Internal Audit Strategy and the Detailed Internal Audit Plan for the first half of the year 2018-19 and mapping of Corporate Risks to the Plan. (As set out in Appendices A to F of the report).

9 Counter Fraud, Bribery and Corruption Audit Committee Progress Report

- 9.1 The Committee received the report by the Chief Legal Officer providing it with an update in respect of the counter-fraud activity undertaken by Norfolk Audit Services (NAS) during the reporting period 1 July 2017 to 31 December 2017.
- 9.2 In presenting the report, the Investigative Auditor advised that the Fraud and Bribery e-learning course was now in the final stages of preparation and would be going live by the end of January 2018. Initially, the course would be rolled out to finance staff and adult social care staff, after which it was hoped it could be rolled out across the County Council.
- 9.3 The Committee was very pleased to note the excellent achievement of getting the e-learning rolled out and asked for an update to be brought to a future meeting. It was suggested that the topic should be included as a standing item on all Audit Committee agenda.
- 9.4 The following points were noted in response to questions from the Committee:
- 9.4.1 Ways to measure success would be reviewed against criteria once the first year had been completed. Year 2 would have year 1 information to measure against and CIPFA benchmarking would be used to evaluate progress.
- 9.4.2 Ways of informing staff about the importance of fraud, fraud e-learning, whistleblowing policy and the code of conduct, etc. were being explored.
- 9.5 The Committee **RESOLVED** to note:
- The content of the Anti-Fraud, Bribery and Corruption Audit Committee Progress Report set out at Appendix A of the report.

10 Norfolk County Council's Insurance Cover

- 10.1 The Committee received the report by the Executive Director of Finance & Commercial Services providing it with information relating to the current position of the insurance provision for Norfolk County Council. The Insurance function was part of the Finance and Commercial Services Department, overseen by the Policy and Resources Committee. The report provided members with assurance as to how the insurance provision was delivered for the County

Council and how claims against the Council were managed by the Insurance Team.

10.2 In introducing the report, the Insurance Manager advised the Committee of the following:

- 10.2.1 A sum of £120m for terrorism cover was in place for the County Hall site only. The cover would enable County Hall to be brought back on line in the event of a terrorist attack.
- 10.2.2 No subsidised cover was offered to subsidiaries of the County Council, they were charged the same rate as the rest of the authority.
- 10.2.3 It would be difficult to obtain a breakdown of non-highway related claims as claims were often paid out in a different accounting year to when the original claim was made. The Insurance Manager would circulate a list showing the total figures paid out in insurance claims in the last 12 months (without highways claims) to identify any niche areas which could be targeted in an attempt to reduce claims.
- 10.2.4 The Insurance Manager gave the Committee an overview of how Public Liability Claims were dealt with and how potentially fraudulent claims were identified and dealt with.

10.3 The Committee **RESOLVED** to:

- Note that proper insurance provision existed where appropriate, as confirmed by external and internal reviews and accept the report.

11 Audit Committee Work Programme

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

11.2 In accordance with its Terms of Reference the Committee considered and **agreed** the programme of work outlined in the report, with the addition of updates to the following subjects for consideration future meetings:

- Director of NorseCare should be invited to attend the Audit Committee meeting in April 2018 so the Committee could further understand the risks and pressures on delivering social care in the current operating structure, and provide an opportunity to raise any issues, concerns and forward plans with the committee
- Update from representative from Adult Social Care regarding Risk RM019 (Failure to deliver a new fit for purpose social care system on time and to budget)
- Update on the roll-out of fraud e-learning.

The meeting ended at 11.15 am.

Chairman



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Audit Committee

Item No.....

Report title:	Norse Care
Date of meeting:	19 April 2018
Responsible Chief Officer:	Executive Director of Finance and Commercial Services and Managing Director Norse Care
Strategic impact The Audit Committee provide proactive leadership and direction on audit governance and risk management issues, in accordance with their terms of reference which are part of the Council's Constitution, part 4.1 (4.4) (page 13) being: B. INTERNAL AUDIT AND INTERNAL CONTROL 1. With Chief Officers, to provide proactive leadership and direction on audit governance issues and champion audit and internal control throughout the Council. C. RISK MANAGEMENT 5. Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.	

Executive summary

Norse Care is part of the Norse Group of Companies and is wholly owned by the Council. At the last Audit Committee (23 January 2018) members requested that a representative of Norse Care be asked to attend their April meeting, so that the Committee could, 'further understand the risks and pressures on delivering social care in the current operating structure, and provide an opportunity to raise any issues, concerns and forward plans with the committee'.

A representative from Norse Care will attend the meeting and answer members' questions.

Members are recommended to consider:

- the update from the Managing Director of Norsecare.

1. Introduction

At the last Audit Committee (23 January 2018) members requested that a representative of Norse Care be asked to attend their April meeting, so that the Committee could, 'further understand the risks and pressures on delivering social care in the current operating structure, and provide an opportunity to raise any issues, concerns and forward plans with the committee'.

2. Evidence

- 2.1 NorseCare is the largest single provider of Residential and Housing with Care services in Norfolk. Norfolk County Council (NCC) spends nearly £290 million a year in the care market, of which just over £34 million is with NorseCare; this represents 13% of NCC's total investment in residential care and 98% of NCC's investment in Housing with Care. Norfolk County Council created NorseCare in 2011.
- 2.2 Norse Care's Care Homes provide care and support within a homely residential setting. They also manage Housing with Care schemes providing people with care and support when needed, along with the independence of living in their own flat under a tenancy agreement with a housing provider. They are a part of the Norse Group of companies.
- 2.3 Norse Care has a number of specialist dementia care homes and many of their homes and schemes have dedicated areas for people living with dementia.
- 2.4 The company believes people living with dementia should be supported to live a full and happy life and they have a focus on delivering person centred care which treats each person as an individual. The physical environments within the dementia care homes have been decorated and enabled in accordance with the latest research principles and residents and tenants are also supported with the latest assistive technology.
- 2.5 All staff receive specialised training in dementia care and it is important that they respect a person's personal history and life experiences in order to create the opportunity for activities that are positive and meaningful for the person.
- 2.6 Norse Care are able to provide some specialist re-ablement services, to enable older people who are recovering from an illness to receive support and care to enable them to return home. These services are provided in partnership with the National Health Service and in addition to trained care staff there is also input from health professionals such as occupational therapists and physiotherapists.
- 2.7 Norse Care has one specialist care home at Bishop Herbert House in Norwich which provides long term residential and respite services for adults with physical disabilities. They believe in supporting people to maximise their independence in this carefully adapted home, whilst respecting their dignity at all times.
- 2.8 Norse Care's staff all receive excellent training as they strive to support residents and tenants to maximise their independence by delivering person centred care utilising the latest assistive technology. The company provides 24 hour care which respects dignity – indeed they have dignity champions in all of their homes and schemes. Promoting a variety of social activities is very important together with providing a choice of menus which also takes into account specialist dietary requirements. Norse Care believe in maximising opportunities to involve residents and tenants and this is supported by full involvement in meetings, quality audits and an annual forum for all residents and tenants.
- 2.9 Norse Care have a number of contracts in place with organisations for the supply of goods and services to their homes and schemes.

- 2.10 Norse Care aims to promote fair and transparent procurement, whilst working within all regulatory thresholds. They currently engage within a very multi-functional supply chain and encourage suppliers to register their interest in working with them.
- 2.11 The Adults Social Services Committee received a [report](#) (please click on underlined text to link to the report) on the Norse care Contract Review (Item 13, Page 28) at its November 2017 meeting. That report analysed the current position, and proposed some new operating principles which will inform changes to the transformation programme and revise the contract arrangement between the Council and Norse Care.
- 2.12 A Liaison Board, which comprises members, officers and Norse Care's senior managers, oversees and monitors the Company's activities ensuring that the strategic objectives detailed in the contract are met. NorseCare submits reports of its activities, its performance against the KPIs and its business plan and management accounts to the Liaison Board. The Executive Director considers recommendations arising from the Liaison Board in managing the Norse Care contract.
- 2.13 The Internal Audit for Norse care is provided by KPMG who are contracted to the Norse Group.
- 2.14 The Managing Director of Norse Care will provide a verbal update to the Committee on the requested topics.

3. Financial Implications

There are no specific financial implications.

4. Issues, risks and innovation

Risk implications

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

5. Background

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

Entity	Auditor
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Officer Contact

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

Name	Telephone Number	Email address
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Audit Committee

Item No:

Report title:	Liquidlogic/Social Care System Replacement Implementation
Date of meeting:	19 April 2018
Responsible Chief Officer:	James Bullion, Executive Director of Adult Social Services

Strategic impact

CareFirst has been NCC's social care system since November 2007. It is a key core system for NCC and its availability and functionality are business-critical. The system was used until recently by Adult Social Services, Finance Exchequer Services for paying providers and charging for social care and Procurement for contract administration. It is still used by Children's Services, and by Finance Exchequer Services for paying providers and Procurement for contract administration of providers of services/support to Children's. The current contract with OLM for the CareFirst system should have expired in March 2016 and has been extended to March 2018. There are a number of reasons for replacing CareFirst which are summarised in the body of this report.

The objective of the Social Care System Replacement programme is to procure and implement a social care information system for Norfolk County Council that will meet current and future business requirements, including integration with partners, which will enable us to support vulnerable people most effectively. This will form the platform on which savings, integration and service improvements can be developed and delivered.

Executive summary

The purpose of this report is to inform the Audit Committee of the progress of the Social Care System Replacement (SCSR) programme in light of the corporate risk: Risk RM109, "Failure to deliver a new fit for purpose social care system on time and to budget". Currently this has a risk score of 15 (amber) with "green" prospects of meeting the target risk score by the target date of 30 June 2018.

Following a rigorous procurement process NCC awarded the contract for the new system to Liquidlogic in August 2016.

The Adults and Finance Go Live took place on schedule and after live testing, was released to staff on 22 November 2017.

At the first Programme Board go / no go decision point on the 16 January 2018 for the Children's and Finance systems it was forecast that the implementation would not be ready by the w/c 19 March 2018. Therefore it was agreed to move the go live a few weeks and to use an alternative go live date w/c 30 April 2018. Part of the contingency budget is funding the extension.

The programme is forecast to be on budget.

Recommendation:

The Audit Committee is asked to note the progress on delivering the new Social Care Record System for Adult Social Services, Children's and Finance and to consider whether they would like a further report at a future meeting of this Committee.

1	Introduction and Background
1.1	CareFirst has been NCC's social care system since November 2007. It is a key core system for NCC and its availability and functionality are business-critical. The system was used until recently by Adult Social Services, Finance Exchequer Services for paying providers and charging for social care and Procurement for contract administration. It is still used by Children's Services, and by Finance Exchequer Services for paying providers and Procurement for contract administration of providers of services/support to Children's. The current contract with OLM for the CareFirst system should have expired in March 2016 and has been extended to March 2018.
1.2	There were a number of reasons for replacing CareFirst. The key benefits are: 1) A resilient and adaptable system to underpin our planning and delivery of social care through to 2025; 2) Efficiencies, integration and service improvement through an intuitive, flexible system; 3) Compliance with the legal and procurement imperatives.
1.3	<p>The Policy and Resources Committee agreed on 8 February 2016 to:</p> <ul style="list-style-type: none"> • Allow an exemption to Contract Standing Orders to extend the contract for the current CareFirst system to March 2018, to permit a phased transition; • the procurement of a replacement social care recording system that meets current and future business requirements, effectively; • associated capital funding of £7.926m; • recommend the revenue funding of £0.150m for 2015-16 and £2.271m over the three years 2016-17 to 2018-19. <p>Reports had been presented to the Adult Social Care Committee on 25 January 2016 and to the Children's Services Committee on 26 January 2016 and their recommendations were presented to the Policy and Resources Committee.</p>
1.4	<p>In February 2016 the project to replace Care First had been provisionally planned as follows:</p> <ul style="list-style-type: none"> • Phase 1 (Requirements) – to inform the development of an agreed Requirements Specification by March 2016; • Phase 2 (Procurement) – selection of a solution and supplier by October 2016; • Phase 3 (Implementation) – configuration of solution, business process review, training, migration of data and go-live by April 2018.
1.5	NCC awarded the contract to the new system provider, Liquidlogic, on 31 August 2016.
1.6	The cross departmental nature of this programme dictates that it sits under its own governance hierarchy and provides reporting for information to each departmental transformation change programme. There is a SCSR Programme Board that meets monthly and includes: the Executive Director of Adult Social Services; the Executive Director of Children's Services; the Executive Director of Finance and Commercial Services; the Strategy Director; the account manager for Liquidlogic; the External Quality Assurance Consultant; the Head of IMT; the Joint Leadership Advisory Group Leads; and the two Senior Project Managers. Updates are provided regularly to CLT (County Leadership Team) and CLT make key decisions.
1.7	The Joint Leadership Advisory Group (JLAG) meets weekly to monitor progress, resolve issues and make decisions. It consists of: the Assistant Director Early Help and Prevention (Adult Social Services); the Head of Quality Assurance and

	Effectiveness (Children's Services); the Head of Finance Exchequer Services; and the two Senior Project Managers. Other people attend as required.
1.8	The project implemented the new system (LAS – Liquidlogic Adults System) for Adult Social Care and associated Finance functions (ContrOCC) on 22 November 2017, and aims to implement LCS (Liquidlogic Children's System) for Children's Services and associated finance functions (ContrOCC) by the end of April 2018.
2	Benefits
	<p>The strategic principles for the Social Care System Replacement are:</p> <ol style="list-style-type: none"> 1) A joined-up social care system for Adults, Children's, Finance and Procurement - in order to enable and support more integrated approaches with the whole family, transition from child to adult, contracts, commitments and forecasting. 2) Integration with Health and other partners, reflecting our integrated commissioning and delivery in Adults, including direct working together under partnership arrangements under section 75 of the NHS Act 2006, and the new locality-based multi-agency hub approach in Children's. 3) Supporting vulnerable people – the solution is an enabler for our corporate outcome framework - that all vulnerable people who live, work, learn and are cared for will be safe; and that vulnerable people are more resilient and independent. 4) Simplicity, with straightforward recording, automated workflows and readily accessible information, in order to improve efficiency and release practitioner time while supporting our compliance with relevant legislation. 5) Information and our use of it drives the system. Information sharing with partners underpins commissioning and delivery within a 'whole system' approach. We also need to make citizens' own records more accessible to them. 6) Transformation – from the National Information Board digital strategy through to local initiatives (Caring for Our County, Signs of Safety and Promoting Independence) - will require a system and supplier that are flexible and offer innovative solutions. 7) The strategic IMT architecture requires integration of the social care system - with Identity Management, the Information Hub, Records Management, Customer Relationship Management, portals, and the means to control staff and other users access to systems - in order to support the corporate programme and exploit wider benefits.
	<p>The benefits include:</p> <ul style="list-style-type: none"> • Time savings delivered through reduced administrative and data input time required by front line social care staff in Adult Social Services and Children's Services • Improved management information to reduce managers/supervisors' administration time and improve case management • Reduction in annual application support costs • Improved outcomes and efficiencies through mobile working

	<ul style="list-style-type: none"> Improved service through integrated working and data sharing with NHS and other public sector partners Improved care package commissioning process through improved information More robust data quality for reports and mandatory returns The ability to generate accurate client based milestone-driven information to enable NCC to plan and target services, manage demand and improve performance.
3	Progress To Date
3.1	<p>Adult Social Services and Finance</p> <p>The Adults and Finance Go Live took place on schedule and after live testing, was released to staff on 22 November 2017.</p> <p>There have been almost no issues with migrated data or system function however initially users experienced poor system performance in some cases, most commonly users experienced 'the server is busy' error messages. A number of actions have been taken, in conjunction with the supplier, to resolve performance issues.</p> <p>Payments and billing for Adult Social Services are taking place within ContrOCC for Finance. The Provider Portal also went live as planned with providers now able to pay through the system: soon after Go Live 70 provider contacts were signed up and submitting their actual activity online via the portal. The payments team in Finance Exchequer Services have experienced staff on hand to assist providers in their new journey of transacting online with NCC. Some initial benefits were seen early on, eg identifying a small number of people who should be contributing to the cost of their social care but who hadn't been and couldn't be identified previously.</p> <p>The most significant issues have resulted from social care staff being unfamiliar with the new system and changed processes. Given existing work pressures, the period of system down time that needed to be recovered and the scale of the change, this was always going to be difficult. Having provided a range of support materials and interventions, including floorwalkers, the Champions working in each social care team and the Liquidlogic Helpdesk has borne the brunt of staff queries. Whilst there is no quantification of Champion activity, the helpdesk had taken around 100 to 200 contacts a day from 22 November through to mid-December. Outstanding unresolved contacts has been maintained at a little over a day's volume throughout. The majority of staff requests for support are for assistance in processing transactions.</p> <p>There is evidence that staff would have liked more training in the new processes and don't feel they have time to consult the process and system support materials provided ahead of go live on the iNet. In response to this throughout January, an intensive series of 'refresher' sessions were provided across the county to help staff that are struggling with certain functions of LAS. Thirty three sessions were made available in four locations with 500 places available in total. Although take up of the training was less than hoped for, those attending provided very positive feedback on the support provided.</p> <p>The other key issues recently are:</p> <ul style="list-style-type: none"> As we have required 'downtime' either overnight to maintain security updates (patches) on the system infrastructure and during the day to enable system enhancements, it has exposed the absence of a secondary read-only environment that staff can use to continue to access service user records during planned downtime. We have worked with Liquidlogic to provide a similar capability for LAS users with enhanced capacity. EDT (Emergency Duty Team) members were supported in the meantime with access to skeleton information provided from NCC's GRID and an offline 'memory stick' version is available in the event that

	<p>NCC's IMT systems are completely unavailable. Where Liquidlogic's systems fail, the supplier provides a substitute environment for staff to use. The project team are also pursuing the possibility of Liquidlogic providing a better technical solution where LAS can be kept available even when patching is taking place. If possible, this would be a longer-term solution.</p> <ul style="list-style-type: none"> • There was an issue with the way ContrOCC published documents to Providers through the provider portal. This resulted in an accumulation of documents that caused significant performance issues affecting weekend working both day and night time. The issue affecting performance has been fixed.
3.2	<p>Children's, Early Help and Finance</p> <p>As with Adults and Finance, the project is progressing through a series of Programme Board 'Go / No Go' gates. At the first go / no go decision point on the 16 January it was forecast that the implementation of the Children's and Finance LCS, Early Help Module (EHM) and ContrOCC systems would not be ready by the w/c 19 March 2018. The delay was based on two finance migration deliverables not being forecast to be ready by go live. Therefore, it was agreed to use an alternative go live date w/c 30 April 2018 and to use part of the contingency budget to fund the extension. This was subsequently agreed by CLT. Since this point the project has now successfully passed the next go / no go decision point to proceed with the dry run process and face to face training.</p> <p>All four rounds of formal User Acceptance Testing for LCS and EHM have been successfully completed following their commencement from the middle of July 2017. Testing will continue for ContrOCC continuously until early April. The LCS data migration has been completed successfully in line with agreed timescales. The training programme, with help from LiquidLogic, has been shifted back in line with the new go live dates to ensure end users retain the best possible preparation prior to go live. E-Learning has been underway since mid-December and face to face training is ongoing. Significant follow up work via, email, phone and face to face is underway to ensure all users book on to face to face training. In total there are 2,200 face to face training places available.</p> <p>In relation to the delayed finance migration deliverables significant work is underway between the finance workstream and the various business areas to ensure all the data mapping and preparation work is completed ready to complete the finance manual migration. The resource in the plan previously agreed at Programme Board has been available to the project team to complete the work. There have been ongoing issues related to business as usual operations for LAS and ContrOCC that have required project team resource allocated to the Children's implementation to divert attention and this is currently being managed to avoid impacts to timescales. Timescales presented to Programme Board on 16 January remain on track.</p> <p>Other issues being addressed focus on two peripheral but significant areas of scope that are not working: Briefcase (laptop based offline working); and ATOM (graphical view of child and significant relationships – see Appendix One) across LAS, LCS and EHM. Briefcase has had some initial testing and appears to be working but further testing is required. Future work is also required to ensure the set-up of Linked Application Access (LAA) which joins the LCS, EHM and LAS systems together is understood and working as expected, this will link with how ATOM operates.</p>

3.3	<p>Phase Two</p> <p>Early work has been carried out to shape up a programme of work for Phase 2 Adult Social Services and Finance. The following projects are being initiated:</p> <p>1 Mobile App and Device</p> <p>The project is delivering a 100 user pilot of two types of touchscreen devices to five teams to determine which works best in a front line working environment. The intention is to seek evidence to support decisions regarding the best device type to roll out to a wider population and whether the Mobile app with offline working capability provides a better balance of cost / benefit, usability and service user experience than LAS accessed on the move via data SIM.</p> <p>2 Client and Online Financial Assessment Portals</p> <p>This project enables online interaction with citizens and service users. Primarily it enables online referrals, needs assessment and financial assessment. It also enables secure sharing of documentation and update of personal details. Other portals are under development in the Finance area to provide online access to invoices and statements, ability to make online payment and secure communication. These will be brought in to the project as they become available.</p> <p>3 MarketPlace e-Brokerage module</p> <p>The benefits include that the Adult Social Services Care Arranging Service (CAS) will not need to telephone providers regularly about what capacity they have as they will be providing this information electronically. This will improve the efficiency of the Council's processes with the care and support market as well as increasing the Council's ability to create new markets to meet care and support needs. It will also help NCC to improve its offer to self-funders, voluntary organisations supporting people, unpaid carers and others in accordance with duties outlined in the Care Act around Information, advice and support, as people will be able to see what care there is, the quality etc and then potentially buy it on-line.</p> <p>An initial session has been scheduled with Children's Services Leadership Team (CSLT) to understand the high level requirements for Phase 2 deliverables for Children's, Early Help and Finance, including Mobile working, Troubled Families module, Professional Portal and Children's Portal. Discussion have been ongoing with the supplier to secure appropriate delivery slots and initial estimated work is underway to understand the resource needed to deliver Phase 2 items.</p>
4	Financial Implications
4.1	The programme overall is forecast to be on budget.
5	Issues, risks and innovation.
5.1	<p>At the time of Policy and Resources Committee on 8 February 2016 the major risks identified were:</p> <ol style="list-style-type: none"> 1) Being unable to resource the project to meet the April 2018 deadline 2) Setting a scope that is either too ambitious or not challenging enough 3) The market may not provide an affordable solution 4) It may be difficult to establish costs and fund the project

	<p>5) National and local agendas may cause our requirements to change radically between procuring and implementing the system</p> <p>6) Corporate governance may be challenging to establish standard requirements for a complex project involving users from four council departments and three committees.</p> <p>These risks are being successfully managed.</p>
5.2	<p>The Programme has a Risk Register which is reviewed regularly by the JLAG Leads and by the Programme Board. Given the scope, size and nature of the programme the project team and Board are managing risks and issues all the time.</p> <p>The key risks, issues and the mitigations currently are:</p> <ul style="list-style-type: none"> a) Several managers and staff in Adults Social Services are unclear how to process transactions on LAS. The support network of Champions and Helpdesk are managing staff contacts and addressing individual queries. The project team are tracking this daily, have provided tailored face to face assistance and also ran extra refresher sessions in January. b) Two peripheral but significant areas of scope were not available for Adults Go Live: Briefcase (laptop based offline working); and Patient Demographic Service (access to the NHS Spine). PDS has effectively been rolled into Phase 2 and is still being pursued to ensure delivery. Briefcase has been dropped for Adults and all efforts are being focused on the Mobile app as part of Phase 2 c) For Children's two peripheral but significant areas of scope are not working: Briefcase (laptop based offline working); and ATOM (graphical view of child and significant relationships). For Briefcase the project app is back with NCC and has completed initial testing successfully. More detailed testing within the project team is required to enable the rollout to be planned in more detail. The project is also exploring with IMT the option to bring forward the roll out of new touchscreen based devices to enable the LCS and EHM Mobile app to be deployed to staff. The issues with ATOM have been logged with LiquidLogic and a solution is currently being awaited. Future work is also required to ensure the set-up of Linked Application Access (LAA) which joins the LCS, EHM and LAS systems together is understood and working as expected, this will link with how ATOM operates. d) The Support model is coping with higher than expected load from Adults staff but may not cope when Childrens activity is added in. The Support model transition work is continuously being developed. New Support Service started on 12 March 2018. Preparation including recruitment is underway to ensure sufficient staffing levels for Children's go live date. e) There is a risk that Datacentre remediation work causes further disruption and potentially delays project and impacts Go-Live due to fixed test window dates. A third party audit has been carried out, including security and are awaiting agreement for recommendations. The Crime prevention team is working with infrastructure teams. Power resilience is in place with Facilities Management. f) Configuration of Children's ContrOCC system is not complete. Earlier in the project when this risk was initially identified additional business analyst resource was secured for the Children's Finance part of the project. To further mitigate this risk additional specialist ContrOCC support has also been secured and is in place. Staff not previously available due to Adults implementation were moved to the Children's part of the programme. The Programme Board agreed in December to split the delivery of the Children's Finance scope, with 85% of the spend (from the current three systems CareFirst, LMS and Recurring Payments) being paid through the new system at the April go live and the remaining scope being delivered by July 2018 as

	part of phase 2. Children's and Finance go live data has been delayed by 6 weeks.
6	Conclusion
6.1	<p>The SCSR programme has progressed well with an ambitious scope and timeline since the Policy and Resources Committee agreed on 8 February 2016 to the procurement of a replacement social care recording system.</p> <p>The Adults and Finance Go Live took place on schedule and after live testing, was successfully released to staff on 22 November 2017.</p> <p>At the first Programme Board go / no go decision point on the 16 January 2018 for the Children's and Finance systems it was forecast that the implementation would not be ready by the w/c 19 March 2018. Therefore it was agreed to move the go live a few weeks and to use an alternative go live date w/c 30 April 2018. Part of the contingency budget is funding the extension.</p> <p>The programme is forecast to be on budget.</p>
7	Recommendation
7.1	The Audit Committee are asked to note the progress on delivering the new Social Care Record System for Adult Social Services, Children's and Finance and to consider whether they would like a further report at a future meeting of this Committee.

Officer Contact

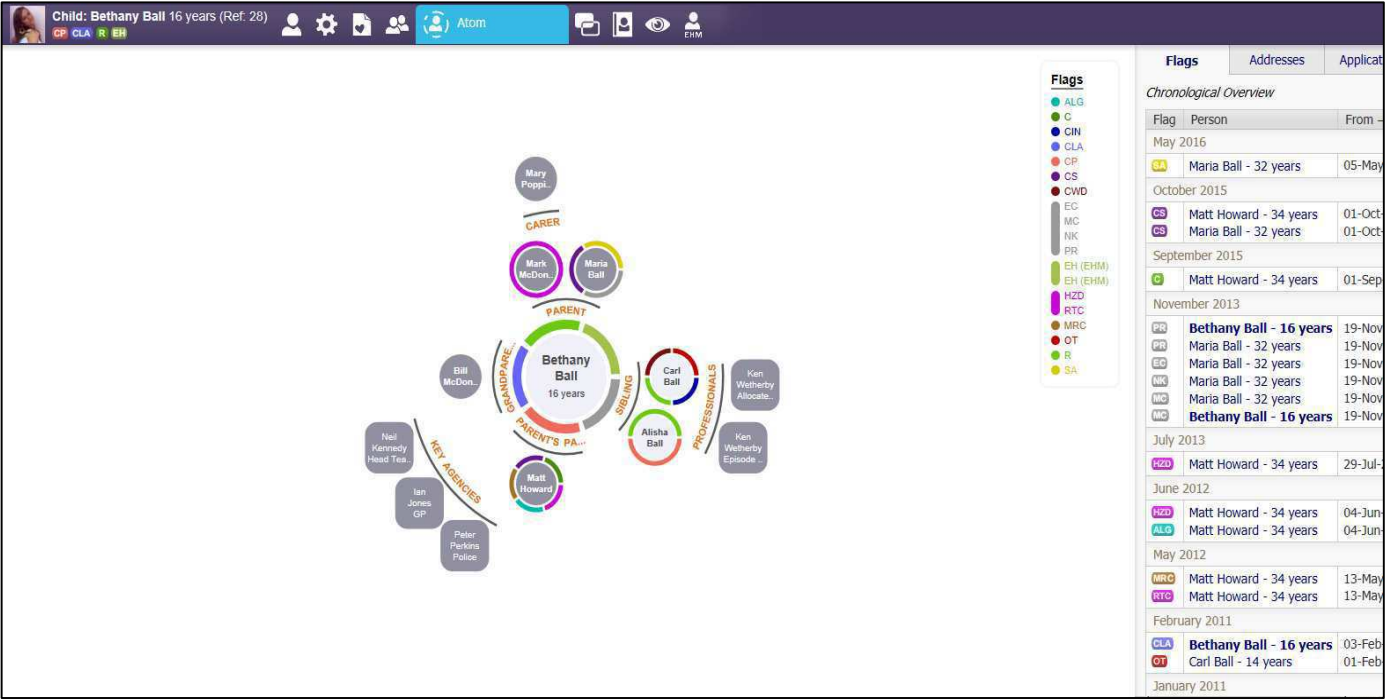
If you have any questions about matters contained in this paper please get in touch with:

Officer Name: Janice Dane **Tel No:** 01603 223438 **Email address:** Janice.Dane@norfolk.gov.uk



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Appendix One: Screenshot of Atom – visual display of a person’s network



Audit Committee

Item No.....

Report title:	Norfolk Audit Services Report for the Half Year ending 31 March 2018
Date of meeting:	19 April 2018
Responsible Chief Officer:	Executive Director of Finance and Commercial Services

Strategic impact

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

B. INTERNAL AUDIT AND INTERNAL CONTROL

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

C. RISK MANAGEMENT

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

The Accounts and Audit Regulations 2015 require that, from April 1 2015, the Council must ensure that it has a sound system of internal control that meets the relevant standards.

Executive summary

The Council is required to prepare its Annual Statement of Accounts for 2017-18 to earlier deadlines and this includes the preparation of the draft Annual Governance Statement for 2017-18. For that reason, the Norfolk Audit Services Annual Report (and this detailed report) have been prepared for reporting in this quarter, rather than in July 2018. This detailed report is therefore a Half Yearly report rather than a quarterly one. The final reports are those issued up to 22 March 2018.

The Council has approved a clear set of priorities 'Norfolk Futures', based around the Administration's 'Caring for our County' priorities. Internal Audit's work will contribute to these new priorities.

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 operation of the Audit Authority for the France Channel England Interreg Programme
- That plans are being established to strengthen corporate development themes of: Strategy into Action/Accountability, Commerciality/Business Like, Data Analytics/Evidence Based and Collaboration/Influencing for the internal audit function

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 (2.16)
- France Channel England FCE Update (2.22)
- External matters of Note (2.26)

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 a vacancy for an Auditor
- Managing productivity rates

2.5 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 (2017-17 B/fwd and 2017-18)

Report type	Q1	Q2	Q3	Q4	Total
Final audit reports (non-schools)	6	2	9	7	24*
Final audit reports (schools – compliance/themed Audits)	0	0	0	1	1
Management Letters	7	0	1	0	8*
Total Audits for opinion work	13	2	10	8	33*
Traded Schools (including traded audits and health checks)	8	3	5	4	20
Certified grant claims	7	5	1	4	17
Follow-up report	0	0	0	0	0
Pension Audits	3	0	3	2	8

*These figures include final reports issued in relation to finalisation of carried forward 2016-17 audits

- 2.6 Corporate High Priority Audit Findings identified during audits are followed up. We have received assurance from the relevant Assistant Directors and Managers to confirm satisfactory action has been taken. There are no findings that are rated as Amber. One finding is rated Blue for removal as it has been completed. Details are shown in Table 2 below:

Table 2: Corporate High Priority Audit Findings

Department	Green Rated	Amber Rated	Blue Rated	Total
Adult Care	0	0	0	0
Children's Services	1	0	0	1
Communities and Environment	1	0	0	1
Finance and Commercial Services	13	0	1	14
Total NCC	0	0	0	16
Schools	0	0	0	0
Total Corporate High Priority Findings	0	0	0	16

- 2.7 There continues to be a good take up of Traded Schools Audits.

- 2.8 Details are set out in the separate Internal Audit Strategy report to the January 2018 meeting of this committee to develop an action plan for the Internal Audit Team to further develop four 'ways of working', being:
- 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. An appropriate investigator will be allocated where an investigation is required.

Anti-Fraud and Corruption

- 2.10 NAS appointed an Investigative Auditor who started on 5 June 2017. An Anti-fraud action plan has been approved by this Committee.

Ongoing projects are to review and update the following:

- The e-learning packages research for the business case for mandatory completion for all key employees
 - Promotion of the Strategy and related policies such as the Whistleblowing Policy (para 2.10)
- 2.11 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.
- 2.12 Norfolk Audit Services makes every effort to reduce its carbon footprint. More details are described in **Appendix B**, Section 4 (4.2)
- 2.13 Satisfaction Questionnaires are issued with draft reports and grant work performed. We have received positive feedback for 5 responses in the quarter ending 31 December 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.
- 2.14 The operation of the France Channel England Interreg Audit Authority is progressing satisfactorily (see 2.22 below).
- 2.15 Supporting notes and Technical Details for this report appear at **Appendix B**, for reference only.
- 2.16 **Other relevant information**

2.17 External Review to meet PSIAS – Status is Current

2.12 It is a requirement that every five years an independent review of our compliance with the Public Sector Internal Audit Standards is undertaken. CIPFA Services were 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 this year 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.

2.18 LGPS Pooling Update

- a. The Government requires regional Local Government Pension Scheme (LGPS) Funds to work together to “pool investments to significantly reduce costs, while maintaining investment performance”.
- b. The Norfolk Pension Fund is working with 10 other Administering Authorities, collectively known as the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The ACCESS Funds are Cambridge, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex. An Inter-Authority Agreement (IAA) has been signed by all 11 authorities defining governance and cost sharing arrangements for the ACCESS Pool. Approval for the Norfolk Pension Fund to enter into the IAA for the pooling of assets was given by County Council on the 20th February 2017.
- c. The ACCESS Pool is governed by a Joint Committee made up of one elected councillor from each authority’s Pensions Committee. Norfolk is represented by the Pension Committee Chair (Cllr Jordan). The Norfolk Pensions Committee receive quarterly progress reports on the work of ACCESS.
- d. In March 2018, the ACCESS Funds appointed Link Fund Solutions Ltd (Link) to provide regulated financial services to the Pool. Link will be responsible for establishing and operating a range of investment sub-funds into which the ACCESS Funds will invest.

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

2.20 France (Channel) England (FCE) update –

2.21 The Audit Authority is now established. The FCE Auditor joined the team in January 2018.

2.22 The Annual Statement of Accounts and the Annual Control Report for 2017 have been submitted to the EC. The 2018 Audit Strategy and Audit Plan have been agreed and are in progress.

2.23 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.

2.24 External Matters of Note

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

1. Academy Schools Sector in England Consolidated Accounts 2015-16 – October 2017
2. Investigation: WannaCry cyber attack and the NHS – October 2017
3. Charity Commission: Progress Report – November 2017
4. Implementing the UK's Exit from the European Union: The Department for Exiting the European Union and the centre of government – November 2017
5. A Short Guide to HM Revenue & Customs – December 2017
6. Child Maintenance Client Funds Accounts 2016-17 – December 2017
7. National Audit Office: Our Strategy 2018-19 to 2020-2021 – December 2017
8. Sustainability and transformation in the NHS – January 2018
9. Home Office: Investigation into the Disclosure and Barring Service – February 2018
10. The Adult Social Care Workforce in England – February 2018
11. Round up for Audit Committees – March 2018
12. Financial Sustainability of Local Authorities 2018 – March 2018

2.26 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 2017-18 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 2017-18 has been set to deliver 100% of audit work is within budget. At present 68% of audit work is keeping to the original budget (+ 10%). 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 this past quarter included staff changes. In addition, we delivered several 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 must undertake sufficient audit coverage to comply with the Accounts and Audit Regulations (England) 2015. The allocation of audit time was based upon a risk assessment and this is continuously reviewed throughout the year.
- 5.2. There is no relevant input or comments from other committees to include within this report.

Officer Contact

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

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

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Appendix A

Norfolk Audit Services Final Reports Issued in the Half Year Quarter ending 31 March 2018

There were fifteen final reports in the 3rd quarter, being; nine non-schools, two full traded school audits, three traded school health checks. There was one management letter issued. In addition, one grant was certified during the period.

There were eleven reports in the 4th quarter (to 22 March 2018), being; seven non-schools, two full traded school audits, two traded school health checks. There were no management letters issued. In addition, four grants were certified during the period.

Final Reports Q3

Finance

1. Teacher's Pension Return
2. Payroll – Payroll controls and computer systems
3. Treasury Management
4. Equal Lives
5. Scheme of Delegation – NDR
6. Information Security – Unannounced Visits
7. Corporate Awareness of IM policies, procedures, roles and responsibilities
8. Local Flood Strategy
9. Business Continuity (Management Letter)
10. Early Years Setting

Traded Audits

11. Toftwood Community Junior School

12. Taverham VC CE Junior Schools

School Traded Health checks

- 13. Newton Flotman Primary
- 14. St William Primary
- 15. Trowse Primary School

Certified Grants

- 16. CES (September 2016)

Final Reports Q4

Adult Social Services

- 17. Adult Social Services Transport

Children's Services

- 18. Home to School Transport

Communities and Environment

- 19. Highways Routine Maintenance
- 20. Street Lighting PFI
- 21. Contract Monitoring NDR contract

Children's Services – Thematic Audits Schools

- 22. Thematic Audit- School Websites compliance with DfE requirements

Traded Audits

- 23. Hingham Primary School (full audit)
- 24. Sheringham Community Primary School and Nursery (full audit)

School Traded Health checks

- 25. Morley CE VA Primary School
- 26. Tacolneston CE Primary School

Managing Director's Office

- 27. Data Quality

Certified Grants

- 28. BDUK 2017-18 Q1
- 29. BDUK 2017-18 Q2
- 30. BDUK 2017-18 Q3

31. Green Pilgrimage

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 2017-18 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 Norfolk Audit Services is notified of any allegations of a financial or control nature. Allegations are managed in two stages, a preliminary assessment and then, if required, a formal investigation. Preliminary assessments may require significant work and can lead to an assessment report. Formal investigations will have terms of reference and a time budget.

Notes for section 4

4.1 Crime and Disorder Act 1998

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

4.2 Sustainability

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

4.2.2 Norfolk Audit Services continually review our performance and costs.

Notes for Section 5

5.1 Audit Opinions

5.1.1 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	9	9
Grants	0	0
Analysis of results:		
	Expectations Met*	Disappointed or Very Disappointed
	9	0

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

Audit Committee

Item No.....

Report title:	Norfolk Audit Services Annual Internal Audit Report 2017-18
Date of meeting:	19 April 2018
Responsible Chief Officer:	Executive Director of Finance and Commercial Services
<p>Strategic impact</p> <p>The Audit Committee provide proactive leadership and direction on audit governance and risk management issues, in accordance with their terms of reference which are part of the Council's Constitution, part 4.1 (4.4) (page 13) being:</p> <p>B. INTERNAL AUDIT AND INTERNAL CONTROL</p> <p>1. With Chief Officers, to provide proactive leadership and direction on audit governance issues and champion audit and internal control throughout the Council.</p> <p>C. RISK MANAGEMENT</p> <p>5. Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.</p>	

Executive summary

This Annual Report, for 2017-18, demonstrates how Internal Audit has sought, 'To enhance and protect organisational value for the Council, by providing risk based and objective assurance, advice and insight', as defined in best practice.

Norfolk Audit Services fulfils the internal audit function for the Council as required by its [Terms of Reference](#) and its [Strategy](#). Our terms of reference had a full refresh following the latest publication of the UK Public Sector Internal Audit Standards (March 2017) and was agreed at the June 2017 Committee. Our Terms of Reference has been refreshed (annual update) and is included separately on this agenda for approval. Our internal Audit Strategy is approved by this committee in January each year. The agreed audit plan for 2017-18 was closely linked to the then Council priorities and internal audit work made a significant contribution, being:

- Through a mix of risk based, funded and traded audits throughout the year we have used our experience and skills to drive up the standards of financial and risk management in 16 Norfolk schools and early years' settings thus promoting excellence in education. In addition to these two thematic audits (school website compliance and procurement cards) were performed across 25 schools and an audit of support to early years settings was performed.
- fully supporting by undertaking the Audit Authority role the 338m Euro France Channel England Interreg VA Programme. We have also audited the 16-19 Funding.
- Audits relating the improved infrastructure included; Northern Distributor Road – Contract Monitoring, Street lighting PFI – Contract Monitoring, providing the audit certification for the Council's Better Broadband for Norfolk (BBfN) which is bringing faster Broadband to far more people, Local Flood Strategy, Routine Highways Maintenance, ICT Change Management and a Cyber Security follow up audit

- Audits that gave assurance that the Council is supporting vulnerable people included; Contract monitoring of Norse Care, National minimum wage audits, a Family Focus Data Quality audit, certifying the Council's Troubled Families Programme returns throughout the year, and an audit of Equal Lives Financial and Governance Arrangements

The Council's Medium-Term Strategy and Financial Plan, adopted in February 2018 provides council-wide priorities and these have been developed into some clear outcomes and measures by officers and members. Audit work for the second half of the year was mindful of the new set of priorities and the [audit plan for 2018-19](#) (page 113), approved by this Committee in January this year, supports these new priorities.

The Audit Committee is recommended to:

Consider and comment on these key messages from the Annual Report 2017-18 (Appendix A):

- The overall opinion on the effectiveness of risk management and internal control for 2017-18 is 'Acceptable' and therefore considered 'Sound' (part 2 of the report)
- The internal audit function has enhanced and protected organisational value for the Council, by providing risk based and objective assurance, advice and insight; and fulfilled its Terms of Reference, Strategy through its delivery of the Committee's approved revised Internal Audit Plan for 2017-18, including traded schools audits and grant certifications and unplanned audits (part 4 of the report)
- Work is continuing to manage performance and the cost of audit assignments as part of the Council's new ways of working (part 6 of the report)
- The work of Norfolk Audit Services for the year (part 7 of the report) and the assurance provided, assists the Committee to reasonably assess the risk that the Financial Statements are not materially mis-stated due to fraud
- The Annual Governance Statement for 2017-18 will refer to this report and will be reported to this Committee in July 2018 for its approval
- The Internal Audit Function continues to comply with the Accounts and Audit Regulations 2015 and recognised standards, including the United Kingdom Public Sector Internal Audit Standard (UKPSIAS) (part 8 of the report).

1. Proposal (or options)

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

2. Evidence

- 2.1 The Chief Internal Auditor's Annual Internal Audit report 2017-18 is presented at **Appendix A**.
- 2.2 The internal audit function has enhanced and protected organisational value for the Council, by providing risk based and objective assurance, advice and insight and fulfilled its Terms of Reference, Strategy through its delivery of the Committee's approved revised Internal Audit Plan for 2017-18, including traded schools audits and grant certifications and unplanned audits (part 4 of the report) and has had no exceptions reported from the External Auditor.
- 2.3 The Internal Audit work for the Norfolk Pension Fund is reported separately to the Pensions Committee.

3. Financial Implications

Internal Audit's work provides assurance on the systems and internal controls that manage £1.405bn of Gross Revenue expenditure, £145m Capital programme and £977mm of Assets.

Norfolk Audit Services has delivered audit services during 2017-18 by adhering to the planned budget and preparing the 2018-19 audit plan in line with the planned budget.

All standard audits were allocated a budget (£) which is formally monitored at draft and final report stages. For audits at final report stage, 59% (46% 2016-17) were delivered within the agreed cash budget. This is a 13% increase on last year and we continue to develop our working ways to strengthen the meeting of this KPI.

4. Issues, risks and innovation

- 4.1 During 2017-18 the Internal Audit team undertook and managed unplanned work (in addition to planned work) relating to maintained schools, NDR contract monitoring, Street Lighting PFI, Public Health grant, and Equal Lives. We also supported preparations for the General Data Protection Regulation which comes into effect 25 May 2018.
- 4.3 Staff turnover during the year has been managed. Importantly, we appointed an additional Principal Client Manager at professional level together with an Investigative Auditor. Both posts made a significant impact on the delivery of our planned and unplanned work during the year. The use of temporary staff was minimal during the year as our preference was to use the mixed economy model of an external contractor (BDO or Grant Thornton).
- 4.4 There are no implications with respect to:
 - Other resource implications (staff, property)
 - Legal implications
 - Risks
 - Equality
 - Human rights implications
 - Environmental implications
 - Health and safety issues.

5. Background

The Council has to undertake sufficient audit coverage to comply with the Accounts and Audit Regulations 2015. The allocation of audit time was based upon a risk assessment and this is continuously reviewed throughout the year. Resources were considered adequate to inform the annual audit opinion.

Background papers

- [2017-18 Audit Committee Audit Plan \(See Agenda, Page 79\)](#)
- [2017-18 Revised Internal Audit Plan \(See Page 367\)](#)

3 Officer Contact

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

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

Officer Name: Adrian Thompson- Chief Internal Auditor

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.

**Annual Internal Audit Report
2017-18**

**Chief Internal Auditor
Norfolk Audit Services**

Norfolk Audit Services

Norfolk Audit Services
Annual Internal Audit Report 2017-18

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- 2 Introduction and Audit Opinion
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- 6 Developments in the service
- 7 Responsibilities in relation to Fraud and Corruption
- 8 Other information

Appendix 1 – Internal Audit Work Summary 2017-18

Appendix 2 – Planned developments results, NAS KPI's

Appendix 3 – Technical Notes

Norfolk Audit Services
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1. The Council's Priorities

1.1 The internal audit function has enhanced and protected organisational value for the Council, by providing risk based and objective assurance, advice and insight and fulfilling its Terms of Reference, Strategy and through its delivery of the Committee's approved revised Internal Audit Plan for 2017-18, including traded schools audits and grant certifications and unplanned audits (part 4 of the report). as defined by best practice. The Council's Medium-Term Strategy and Financial Plan, adopted in February 2018 provides council-wide priorities and these have been developed into some clear outcomes and measures by officers and members. Audit work for the second half of the year was mindful of the new set of priorities and the [audit plan for 2018-19](#) (page 113), approved by this Committee in January this year, supports these new priorities. Internal Audit's work during 2017-187 has made a significant contribution to the Council's then priorities, being:

- Audits of Children's Services maintained schools Website compliance and Procurement Cards (thematic audits) during quarters three and four were performed across 25 schools thus promoting excellence in education and an audit of support to early years settings was performed. While value for money in schools is judged by educational attainment, good financial management and governance of schools is a foundation to ensuring children and young people's right to an excellent education. We have used our experience and skills to drive up the standards of financial and risk management in 16 Norfolk schools and early years' settings through our traded audits and 25 schools through our thematic audits (pupil premium and information security and data protection).
- fully supporting by undertaking the Audit Authority role the 338m Euro France Channel England Interreg VA Programme. The Technical Assistance funding for this role will bring in significant external funding into the Council over the next eight years and auditing the 16-19 Funding for learning during quarter four
- Audits relating the improved infrastructure included; Northern Distributor Road – Contract Monitoring, Street lighting PFI – Contract Monitoring, Providing the audit certification for the Council's Better Broadband for Norfolk (BBfN) which is bringing faster Broadband to far more people, Local Flood Strategy, Routine Highways Maintenance, ICT Change Management and a Cyber Security follow up audit
- Audits providing assurance on how the Council supports vulnerable people included; Contract monitoring of NorseCare, National minimum wage audits, a Family Focus Data Quality audit, certifying the Council's Troubled Families Programme returns throughout the year, and an Equal Lives Financial and Governance Arrangements audit

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2 Introduction and Audit Opinion

2.1 This report supports the Council's Annual Governance Statement 2017-18 with an assurance opinion on the Council's system of internal control, which includes the arrangements for the management of risk. This report also helps the Audit Committee to assess the performance of Norfolk Audit Services (NAS) and informs Executive Directors, clients and staff of how we delivered our mission, Terms of Reference, Strategy and our work and how we add value. This report should be read in conjunction with the Annual Risk Management report for 2017-18, also reported to the April 2018 Audit Committee. This report brings together and adds to, the results reported periodically to the Audit Committee and includes:

- An overall acceptable opinion - (see part 2.3)
- Key Messages – including an external review of our compliance with PSIAS (see part 3)
- Our outputs - the work we carried out, taking the service forward, performance and the difference we made in 2017-18 (see part 4)
- The External Auditor's value for Money Assessment (part 5)
- Developments in the Service and ways of working, including management of Whistleblowing (see part 6)
- Responsibilities in relation to fraud and corruption (see part 7)
- Other relevant information (see part 8 onwards).

In addition to the Internal Audit Team the Chief Internal Auditor also holds responsibility for:

- The Head of the France Channel England Audit Authority – via the Audit Authority team
- Corporate Risk Management – via the Risk Management Officer
- Whistleblowing Management – via the Investigative Auditor

These complementary functions are subject to appropriate review to ensure independence.

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2.2 Audit Opinion

- 2.3 The Executive Director of Finance and Commercial Services and the Audit Committee can be assured that **the adequacy and effectiveness of the system of internal control including risk management for the Council is 'Acceptable' and is therefore considered 'sound'**. The Terms of Reference, Strategy were fulfilled and sufficient audits were performed and reported during 2017-18 to support this opinion. Details of our performance appear in part 4 and Appendices 1 and 2.
- 2.4 The Council's system of internal audit during 2017-18 was sound, adequate and effective in accordance with the requirements of the Accounts and Audit (England) Regulations 2015. Details of the regulations and the approach taken are provided in Appendix 3 (at TN5 and TN6). The external review of compliance with the PSIAS performed in May 2017 identified, 'no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. The section takes a risk approach to its audit work but the focus is on operational risks rather than more strategic risks and risk identification could be more thoughtful.' Since the publication of the results of the external review we have strengthened our risk approach to our work and strengthened the work of the team through new ways of working.
- 2.5 Our work considers the Council's Risk Management arrangements which are reported to the Audit Committee by the Risk Management Officer and the Chief Internal Auditor. The Council's Risk Management arrangements are considered acceptable, as reported in the Annual Risk Management Report for 2017-18 and fall under the responsibility of the Chief Internal Auditor.
- 2.6 The team has an Investigative Auditor who assists with the management of Whistleblowing cases. The Council has a Whistleblowing Policy and Procedure and the Chief Internal Auditor is responsible for overseeing the management of the cases. The Council's Whistleblowing arrangements are considered acceptable.
- 2.7 There are no key governance issues that need to be addressed, against the background of this annual report. The Annual Governance Statement will be published by 30 June 2018 in draft and will be presented to this Committee in July 2018.

3 Key Messages

- 3.1 The key messages from the internal audit work in 2017-18 are:
- The internal audit team have focussed on their mission, as described by relevant standards (see paragraph 1,1), during the year. The overall opinion on the effectiveness of risk management and internal control for 2017-18 is 'Acceptable' and therefore considered 'Sound' (part 2 of report)

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- The team has sufficiently delivered the audit plan for 2017-18 to support the annual audit opinion. The original audit plan included 768 opinion days and the September refresh of the audit plan against resources resulted in a reduction to 706 opinion days. This reduction was largely due to an increase in the number of grant certification claims required which took days away from our opinion work.
- The internal Audit Team has fulfilled its [Terms of Reference \(see Agenda, page 146\)](#), [Strategy \(see Agenda, page 114\)](#) and fully supported the Council's Audit Committee and has had no exceptions reported from the External Auditor.
- Resources were strengthened in year at professional level. We have appointed a permanent full time Investigative Auditor a new Principal Client Manager post to strengthen and enhance strategic analytical and core business skills and to lead on the development of these skills within our current team. This is all contained within our current agreed budget. An Auditor left post and has been replaced with an Audit Assistant.
- The team has met the required savings during the year by operating within the approved budget, team structure, organisational developments and put in place further efficiencies. Cost control is operating through cash budgets for audits during the year.
- We commissioned an independent review from CIPFA of our compliance with the PSIAS (part 8 of the report) and the review was performed early May 2017. The review identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. Some recommendations to further strengthen some areas were made and we have implemented these. NAS have a quality assurance improvement programme and this was adhered to during 2017-18. The next round of internal quality assurance reviews of audit files is due in the Spring /early Summer 2018, the results of which will be shared with the Executive Director of Finance and Commercial Services and the to this committee via our quarterly reporting.
- There are adequate Anti-Fraud and Corruption controls in place and an update on Anti-Fraud and Corruption has been reported to the Audit Committee during the year. A single Anti-Fraud, Bribery and Corruption policy has been developed to codify the anti-crime arrangements that are in place at the Council. In addition to the policy and strategy, an annual activity plan has been developed and agreed to direct the proactive counter fraud work undertaken.
- In March 2018 a new Fraud and Bribery E-Learning training course was developed and made available for staff to complete via the Council's online training programme. The course has been designed to provide awareness and understanding of the Fraud Act 2006, the Bribery Act 2010, and to promote the appropriate reporting lines for concerns to be raised in accordance with the councils updated Anti-Fraud, Bribery and Corruption policy. The course is being actively promoted to key staff as a requirement and, at the time of reporting, two Departments have made the training a requirement for all their staff.

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- Our work assists the Committee to reasonably assess the risk that the financial statements are not materially mis-stated due to fraud (part 7 of the report)
- Work is continuing to manage performance and the cost of the audit assignments (part 6 of the report)
- The Annual Governance Statement for 2017-18 will make reference to this report and will be reported to this Committee in July 2018 for its approval (part 8 of the report)
- Our work has contributed to raising £91,331 of external income through grant certifications, FCE Audit Authority, traded schools audits and external clients
- The Internal Audit Service continues to be developed to support the Council's Priorities. Our audit plan is aligned to these priorities and the corporate risk register. We have a well-developed mixed economy delivery model which enables us to draw on wider resources and be more resilient to meeting unplanned needs.

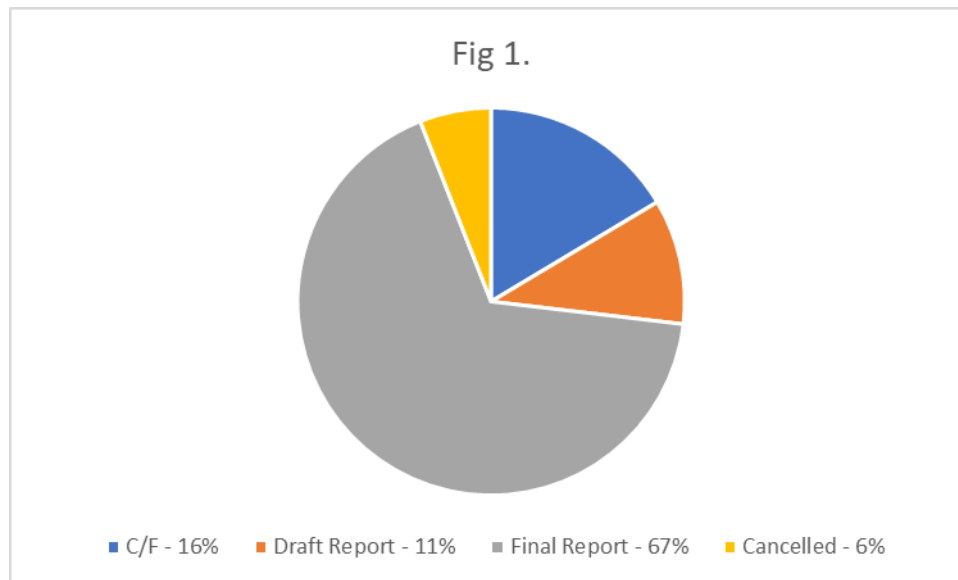
4 Our Outputs - Internal Audit

- 4.1 The Internal Audit Terms of Reference and Strategy (see 3.1), agreed at the Audit Committee in January 2016, and the refresh agreed at Audit Committee in June 2017 have been fulfilled during 2017-18. The Internal Audit Terms of Reference and Strategy were due to be refreshed and agreed at the Audit Committee in January 2017, however that work was put on hold until the new PSIAS came into force with effect April 2017. This refresh happened and the revised Internal Audit Terms of Reference and Strategy was presented to Audit Committee in June 2017.
- 4.2 The internal audit work was performed through the delivery of the Annual Internal Audit Plan 2017-18. The Audit Committee approved the first half at the start of the audit year on [26 January 2017](#) and the second half on [21 September 2017](#) (see Agenda, page 367).
- 4.3 During the year it was appropriate to add some topics to the plan and to remove others. The details of these changes were reported to the Audit Committee as part of the quarterly updates. We reported a revised audit plan during our [September 2017 Committee reporting](#), the overall opinion days reduced by 62 days. The main changes were the topics of coverage which were determined and agreed on a risk assessed basis. Based on the revised audit plan for 2017-18, the target for final and draft reports for the audit of new topics within the plan at year end were 20 and 7 respectively. The actual number of reports issued for new topics were 24 and 6 respectively (**Figure 2** below). In addition to this, the target to complete carried forward work was 100%. There were two such audits, one where fieldwork was completed during the year the other had a draft report.
- 4.4 A summary of the work for 2017-18 is attached as **Appendix 1**.

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- 4.5 The majority (86%) of the audit plan was delivered at either final or draft report at the end of the audit year. This includes our work on non-schools, funded schools, traded schools and grants. The proportion of reports that were either final, draft or work in progress is shown in the pie chart at **Figure 1** below.

Figure 1: Outputs in 2017-18 by share; Finals, Drafts, Carried Forward (C/F) and Cancelled.

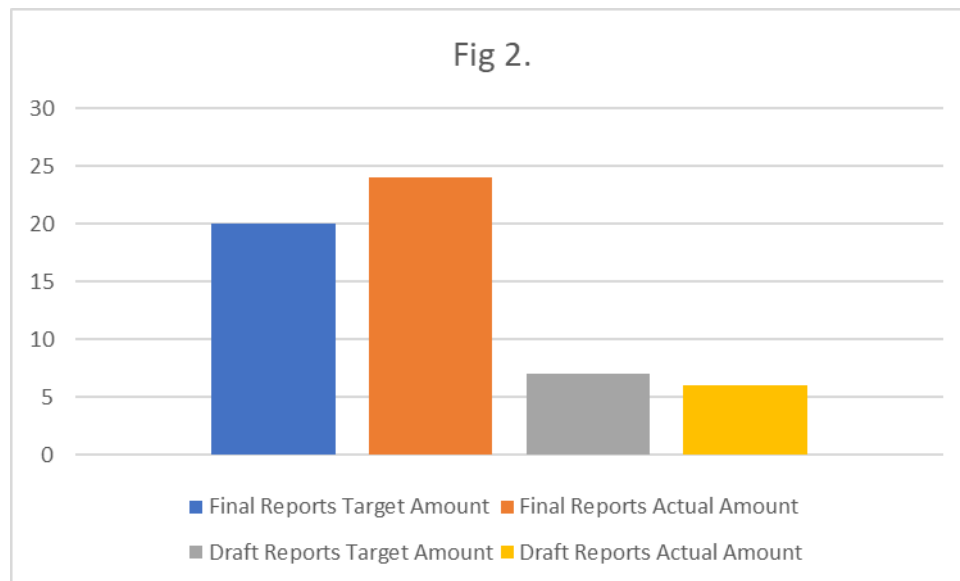


- 4.6 For the Non-school audits, including those carried forward from 2016-17, 78% of audits were completed at draft and final reports at year end. The remaining audits were 'work in progress' or carried forward at year end. The five works in progress and six carried forward audits are planned to be finalised by 30 September 2018. The number of carried forward audit has significantly reduced (2017-18 was 28), mainly due to strengthening professional staffing levels within the team and new ways of working. The audit plan for the first half of 2018-19 agreed by [Audit Committee in January 2018](#) included 100 days to complete carried forward work based on the time needed in 2016-17. The time allowed to complete the actual four carried forward audits and to finalise the audits currently at draft report stage will be reassessed and the plan will be adjusted when the second half of the year's audit plan is presented to Audit Committee in July 2018.
- 4.7 We completed and reported on 95% of the planned school audits. The one carried forward school audit was delayed due to recent severe weather and has been rescheduled for April 2018.
- 4.8 We delivered 19 traded school audits during the year. More schools are academising and they continue to face financial pressures. The traded service is now embedded but still needs termly proactive promotion to those schools next due an audit. We are also developing a new schools traded offering that supports anti-fraud and corruption which will be offered during 2018-19.

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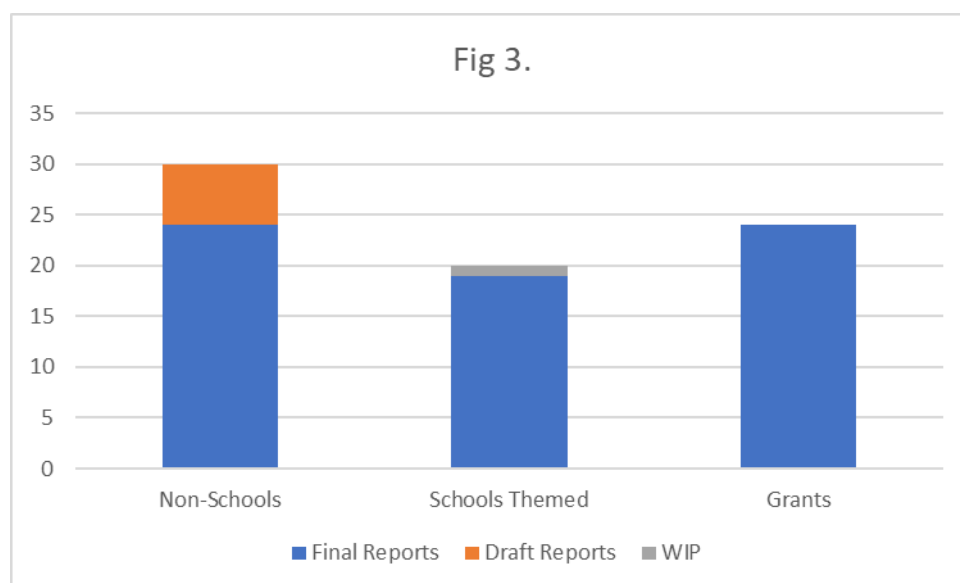
- 4.9 All of the required grant certification work was completed during the year with 24 grants issued as final (100%). The work has been completed on the final claim and is awaiting sign off.
- 4.10 Based on the revised days for 2017-18, the target for new audit opinion work final and draft reports for the audit at year end were 20 and 7 respectively. The actual number of reports issued were 24 and 6 respectively, as shown in **Figure 2** below.

Figure 2: Final and Draft reports issued 2017-18 against target (new opinion work)



- 4.11 The overall share of completed work between all the categories is shown in **Figure 3** below.

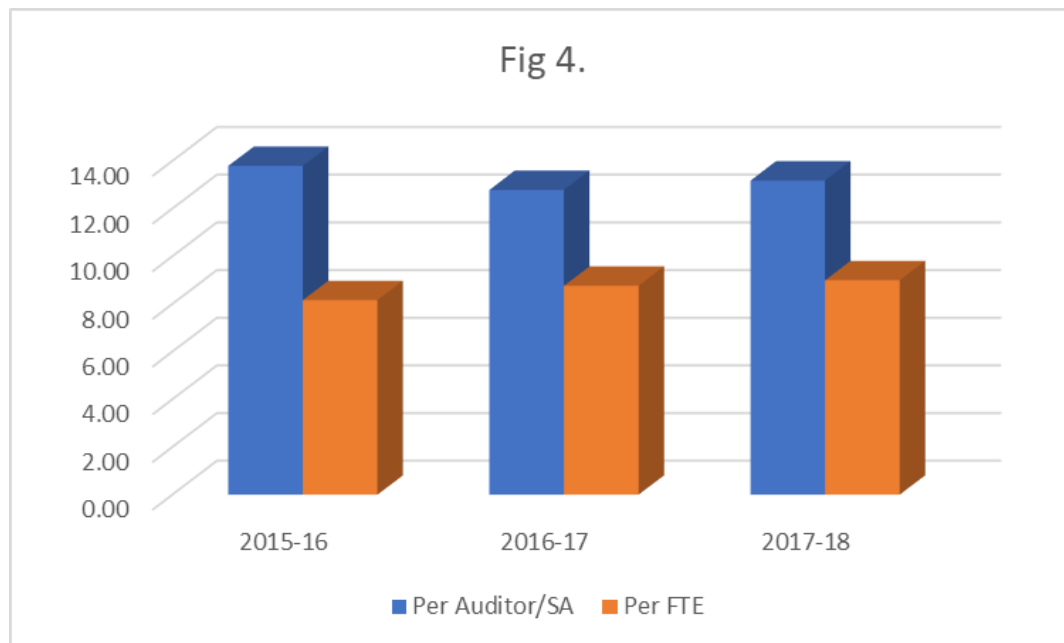
Figure 3: Completion of work by category 2017-18



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- 4.12 To compare the performance between the two years the indicator of the number of reports per full time equivalent auditor in the team was calculated. The results, shown at **Figure 4** below, demonstrate that the performance was comparable between the two years.

Figure 4: Reports per FTE 2015-16, 2016-17 and 2017-18



- 4.11 In addition to the work set out in the Internal Audit Strategy the team completed other adhoc work as follows:
- Advice reports for Executive Director of Finance and Commercial Services
 - Closer monitoring and reporting of progress on actions taken to address Corporate High Priority Findings identified by detailed audit work
 - Preliminary assessments for potential investigations of allegations regarding potential financial or internal control matters and undertaking investigative work
 - The Internal Audit Team have embraced the Council's 'New Ways of Working', which have been implemented and measured through staff appraisals.
- 4.12 We no longer participate in the CIPFA Audit benchmarking as only two County Councils participated in the exercise for 2016/17. Low participation has an impact on the usefulness of comparative information so it was considered not to be a cost effective form of benchmarking at this point in time. Any update on this will be reported to the Audit Committee during our quarterly reporting. Previous

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benchmarking of the internal audit function has shown that we perform well and that we provide value for money.

- 4.13 During the year we have continued to work with colleagues in the Managing Director's Department – Intelligence and Analytics and the Strategy and Delivery Unit and provide advice, support and challenge in order to seek assurance on the continued good governance, internal controls and risk management of services that are subject to organisational change. If any exceptions are reported or we are requested by Executive Directors we will consider if more detailed audit work is required. None was required in 2017-18. The key projects are supported and closely monitored by the relevant Finance Business Partners reporting to the Executive Director of Finance and Commercial Services.
- 4.14 During the year we undertook and managed unplanned work in relation to Equal Lives, Street Lighting PFI and Contract Monitoring.
- 4.15 Throughout the year, Norfolk Audit Services has provided continued and robust support to Project Managers of European grants and ensured compliance to the rules for all our grants work (first level control audit).
- 4.16 Our Quarterly Reporting to the Audit Committee has included updates on the delivery of the France Channel England Interreg Programme - Audit Authority (AA) function being satisfactory. In February 2018, the Audit Authority has submitted (on time) its first Annual Control Report providing a summary of the work undertaken and the analysis of the findings from this work. The European Commission will review this Annual Control Report and assess the adequacy of the work by the AA on the basis of its content. The AA is satisfied that it had undertaken and completed all the work necessary to draw an Annual Opinion on the controls in place for the delivery of the France Channel England Interreg Programme and on the regularity of expenditure declared. All the audit work has been delivered from within existing resources.
- 4.17 The AA's opinion was not qualified. The review of detailed expenditure identified the need for financial corrections. The total amount represented 0.05% of the total expenditure audited, which confirms that good controls are in place within the Managing Authority (the unit in charge of delivering the programme).
- 4.18 In January 2018, Norfolk Audit Services has also been successful in appointing a dedicated auditor for the work to be completed as the volume of work is now increasing and requiring additional resources.
- 4.19 Our audit strategy was refreshed in January 2018 and endorsed by the Consultative Audit Group (with representatives from both Member States). As part of this process, we have reconsidered our Terms of Reference and did not identify the need for any changes.
- 4.20 The claim for reimbursement submitted by the AA to the Joint Secretariat in March 2017 (covering 1 January 2014 to 31 December 2016) is awaiting verifications by the Managing Authority. A second claim for reimbursement was submitted to the JS, covering the period 1 January 2017 to 30 September 2017. Going forward, the AA has been asked to submit an annual claim in October each year.

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- 4.21 In accordance with the Council's Whistleblowing Policy and procedures from January 2017 the Chief Internal Auditor now maintains a record of any disclosures and arranges appropriate investigation of any allegations. There have been four such disclosures made since January 2017. One has been completed and three are in progress.

5 Value for Money Assessment

- 5.1 Our external auditors are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as their value for money conclusion. Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise our arrangements to:

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

- 5.2 The Council received an unqualified value for money assessment (including for the work of internal audit) for 2016-17. The next assessment, for 2017-18, is due in July 2018.

6 Developments in the Service

- 6.1 In line with continuing to develop our services, the team has a KPI dashboard which is used to monitor delivery against agreed targets. **Table 2** below shows those areas rated as either amber or red that need further development work which is being managed. There have been staff changes in year, the use of temporary staff and a vacancy for six months at professional level. The resources situation within the team have been reported to the Committee in year through our quarterly reporting. It is expected that with the new staff and ways of working the status will return to green during 2018-19.

Table 2: KPI dashboard further development areas as 31 March 2017

KPI development Area 2017-18	Result for 2017-18
Delivery of all planned audits with (draft of final) reports	Green
Draft reports issued within 10 days of fieldwork completion	Amber
Audits delivered within £ budget	Red

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7 Responsibilities in relation to Fraud and Corruption

- 7.1 Under section 17 of the Crime and Disorder Act (1998) the Council has a statutory general duty to take account of the crime and disorder implications of all of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.
- 7.2 Internal Audit work helps to deter crime, or increase the likelihood of detection by making crime difficult, increasing the risks of detection and prosecution and reducing rewards from crime. Internal audit's work is planned in order to cover the higher risk areas including where weaknesses in controls might increase the risk of theft, fraud or corruption. An action plan is agreed for any weaknesses that are identified during audits, including those where they increase the risk of fraud.
- 7.3 A new Investigative Auditor role has been established during the year and this is having a significant and positive impact on Anti-Fraud and Corruption activity.
- 7.4 The [Anti Fraud and Corruption Strategy](#) (page 451) was updated and revised in September 2017. A new e-learning course is available and promoted to all Members and staff of the Council. The latest (January 2018) [Anti-Fraud and Corruption Update](#) (See Agenda, item 9) details the communications plan which has been put in place to intensify the promotion and uptake of these courses. Expectations continue to rise and further strengthening of controls continues. There were two formal investigations requested from Norfolk Audit Services during the year. An action plan has been agreed to continue the ongoing development of a strong anti-fraud culture within the Council. The Council meets the requirements of the International Standard on Auditing (ISA 240) as described in the notes in Appendix 2 (TN 7).
- 7.4 The Council had no significant cases of detected fraud during 2017-18. Detected fraud is defined as where an investigation of an allegation has assessed that, on the balance of probability, there was misconduct that led to an action by management, possibly including recovery of loss, disciplinary action or a prosecution.

8 Other relevant information

Chargeable work

- 8.1 Our chargeable work continues to make a positive contribution to the Council generating £91,331 in 2017-18 which adds 19% to the net expenditure budget of the function.
- 8.2 Internal Audit carried out chargeable work for the Norfolk Pension Fund and Eastern Inshore Fisheries and Conservation Authority (EIFCA). This work makes a contribution to reduce the net cost of internal audit to the Council and allows internal audit staff to continue to develop valuable skills and build on experience.

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- 8.3 Internal Audit also undertakes and charges for work on the Certification of Grant Claims including many that are EC sponsored.
- 8.4 Work continued during 2017-18 on the Audit Authority role to support the management of the FCE EU funded programme by Norfolk County Council. This work is funded through the aforementioned programme, and is expected to support future savings and efficiencies in the Internal Audit budget.
- 8.5 We have continued to promote our traded services to schools and have delivered traded audits to 15 schools through a combination of full audits and health checks.

Quality Assurance

- 8.6 A Quality Strategy for Internal Audit is in place, which includes a Quality Assurance Improvement Programme. This was used to review samples of completed audit projects during the year to ensure they met quality standards. Internal Audit procedures are subject to continuous review and are updated during the year. No significant exceptions were noted from that work. In May 2017 an external review was commissioned, in accordance with the regulations and the relevant standards. The review identified no areas of non-compliance with the standards that would affect the overall scope or operation of the internal audit activity. Some recommendations to further strengthen some areas were made and agreed actions have been implemented.
- 8.7 Internal Audit reports progress on the audit plan and feedback from customer satisfaction questionnaires to the County Leadership Team and the Audit Committee quarterly. NAS has received overall positive feedback during the year ended 31 March 2018. An electronic Customer Satisfaction Questionnaire using Smart Survey is used for this purpose.

Engaging Specialists

- 8.8 During 2017-18, we have continued to engage specialists from external sources where we have not had the required expertise within the team. A Street Lighting PFI audit and Contract Monitoring of The Northern Distributor Route was delivered by External Contractors. This approach ensures that specialist audit areas receive high quality assurance whilst ensuring value for money.

Working with the External Auditors

- 8.9 The external auditors, Ernst and Young, are auditing the Council's Statement of Accounts for 2017-18. Internal Audit maintains a very good working relationship with the audit team at Ernst and Young and NAS work is planned and co-ordinated to ensure that there is:

**Norfolk Audit Services
Annual Internal Audit Report 2017-18**

- no duplication of work
- not an undue “audit burden” on clients at any one time during the year, and
- an efficient “joint” assurance service to the Council.

8.10 Specific pieces of work were delivered by Norfolk Audit Services in the first quarter of 2017-18. This work supports our opinion on controls but also supports the additional work needed to support the external auditors’ audit methodology.

Annual Governance Statements

8.11 In addition to the Council's own Annual Governance Statement for 2017-18, to be reported to this Committee in July 2018, NAS internal audits provided assurances on the adequacy and effectiveness of internal controls and risk management for the NCC Pensions Committee, which supported their own governance reporting.

9 Acknowledgements

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

9.2 The Internal Audit team has worked with the Council's managers and staff to deliver assurance on the adequacy of the Council's internal controls and risk management. The team's work has been acknowledged as meeting required standards and savings at a time when expectations of quality both internally and externally are rising. I would like once again to acknowledge the commitment, efforts and achievements of the team over the year.

Adrian Thompson
Chief Internal Auditor
01603 222784
Email: adrian.thompson@norfolk.gov.uk



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

Internal Audit Work Summary 2017-18 (2016-17)

	Approved Plan (revised plan September 2017)	Net Additions/ Cancelled/ Postponed During Quarter 3&4	Revised plan	Final Reports Issued	Percentage Final	Draft Reports Issued	Total Reports Issued (draft and final)	Percentage Delivery of the revised 2017-18 (and c/f 2016-17) <u>draft and final</u>
2017-18 Audits in Approved Plan – Non Schools traded	41	3	44	19+6	55% (33%)	6	30	68% (51%)
Audits c/f 2016-17 non schools traded	28	-12	16	14	88%	1	15	94%
Total Audits – Non Schools	69	-9	60	39	65% (53%)	7	46	77% (67%)
Traded audits - 80 days were included in the strategy	16 + 4 C/fwd	0	20	19	95% (91%)	0	19	95% (97%)
Total excl. Grants	89	-9	80	58	73% (65%)	7	65	81% (76%)
Grant Certifications	24	0	24	24	100% (94%)	0	24	100% (94%)
Overall Total	113	-9	104	82	79% (69%)	7	89	86% (79%)
Audits c/f from 2017-18 – non-schools (5 work in progress, 6 at draft report and 6 c/fwd)	17							25%

Figures in brackets relate to 2016-17

Technical Notes:

TN1 Our service

NAS provides the internal audit service of the County Council to provide assurance to the Council, the Audit Committee, the Managing Director, the Executive Director of Finance and Commercial Services the Monitoring Officer and Executive Directors. Its role is to ensure that there is evidence of compliance with the Council's objectives, controls, rules and procedures. Where such compliance does not exist, internal audit makes recommendations to ensure that proper arrangements are in place. Some audits carried out are based on the perceived risk to the Council as assessed using the internal audit risk model, corporate and departmental risk registers and others are requested by Executive Directors or the Audit Committee. The scope of NAS's work also extends to partnership arrangements.

The Internal Audit team has provided an effective, efficient and economic service during the year, supporting the Audit Committee, the County Leadership Team (CLT) and their Services. The team has championed the strengthening of internal control and anti-fraud arrangements and provided advice and assurance.

TN 2 Opinion Definitions

Each report has one of two possible grades, which are set out in the table below:

Opinion	Assessment of internal control	Action required from the recipient – as agreed with the auditors
Acceptable	Few or no weaknesses, mostly insignificant	Remedial action required as risk assessed and agreed
Key issues that need to be addressed	A number of weaknesses, mostly significant or one or more major weaknesses	Remedial action required as risk assessed and agreed

TN 3 Corporate High Priority Findings reporting

As part of a drive to increase transparency and accountability, we have a process to follow up and report on corporately significant High Priority Audit Findings (CHPF). This includes reporting to CLT on all outstanding audit recommendations made as a result of “corporate high priority” findings from detailed audit reports, together with their completion target date and an update on current status (Green – Amber – Red rating). Completed recommendations are reported separately and approved for removal by CLT.

TN 4 Internal Audit Work

The work of NAS covers all areas of the Council’s activities and continues to evolve and improve. Audits are generally carried out based on the perceived risk to the Council as assessed using the NAS risk model, the corporate and departmental risk registers or, they may be requested by Executive Directors or the Audit Committee. Internal Audit uses every opportunity to promote best practice as identified through professional networks and from our audit findings.

TN 5 Review of the Effectiveness of Systems of Internal Control

The Accounts and Audit (England) Regulations 2015 (previously the Accounts and Audit Regulations 2011) require that:

- An adequate and effective internal audit of accounting records and of its system of internal control, in accordance with proper practices in relation to internal control, must be undertaken
- the effectiveness of the Council's systems of internal audit be reviewed annually.

The Committee made a resolution at its meeting on 26 September 2013 regarding that review. It was resolved that;

'the effectiveness of the management processes and corporate control functions being provided by self-assessment, customer feedback and any existing external performance reviews, including periodic independent assurance on the application of the relevant internal audit standards, thus developing the approach agreed in April 2007 and January 2009'.

For 2017-18 we commissioned an independent review of our compliance with the UKPSIAS which was undertaken during May 2017.

As part of the overall Good Governance Framework, the Executive Director of Finance and Commercial Services provides an annual opinion on the adequacy and effectiveness of the system of internal control including risk management. This informs the Council's reporting of the draft Annual Governance Statement 2017-18, which will be published with the draft Annual Statement of Accounts.

The Council's system of internal control and the assurance on their effectiveness is as follows:

- internal audit – the annual plan and work of internal audit*; and
- management processes of checking, reconciliations, supervisions and controls.

*The annual internal audit plan includes the Council's main systems, and different elements of each system on a rotational basis and our opinion on these is "Acceptable" (see Section 3 above). The results of internal audit work for 2017-18 have been summarised in Appendix 2 of this report.

The Chief Internal Auditor's overall audit opinion is based on work undertaken during the year. Opinion definitions are explained in the notes at Appendix 2 (at TN 2). During the 2017-18 year internal audit reported as follows:

- detailed reports to the relevant Executive Directors
- reporting to County Leadership Team on corporate high priority findings from audits (Appendix 2 - TN3)
- quarterly summary reports to County Leadership Team

- quarterly reports to the Audit Committee and
- relevant topical reports to the Audit Committee as requested.

TN 6 The Council's Financial Statements and Fraud (ISA 240)

During the year internal audit have reviewed the internal controls and risk management of the Council's main financial systems. Those systems cover the transactions, balances and assets of the Council. That work and the assurance it provides helps this Committee to reasonably assess the risk that the Council's Financial Statements are not materially misstated due to fraud.

Internal Audit has planned and delivered audits during the year, which include reasonable measures to detect fraud and to give assurance on internal controls that would prevent it. Reports on the audit findings clearly set out those findings which increase the risk of fraud and whose responsibility it is to ensure that recommendations are completed.

The Council has an Anti-Fraud and Corruption Strategy, which covers the scope of this Committee. The Strategy has been applied where appropriate throughout the year and any significant fraud investigations have been reported where they have been completed. There have been a small number of preliminary assessments of allegations for the Council during the year. The Committee are therefore aware of the process for identifying and responding to the risks of fraud generally and of the specific risks of mis-statement in the financial statements when they are asked to approve the Annual Financial Statements at the end of the year.

Actual fraud cases that have been fully investigated are reported in summary to the Audit Committee. The Chairman would be informed of any significant fraud which had implications for this Committee. The Committee is therefore aware of the arrangements in place for Executive Directors to report fraud to the Committee. The Committee has knowledge of actual or suspected fraud and the actions that Chief Officers are taking to address it when required.

The Anti-Fraud and Corruption Strategy, Whistle blowing Strategy, Money Laundering Policy and the Standards of Conduct are promoted through staff newsletters and on the Council's Intranet site as well as through training for non-financial managers. The Committee is aware, through the reports it receives, of the arrangements Executive Directors have in place for communicating with employees, members, partners and stakeholders regarding ethical governance and standards of conduct and behaviour. The Council's Audit Committee has responsibility for reviewing the Anti-Fraud and Corruption arrangements. The Audit Committee approved a revised Anti-Fraud and Corruption Strategy in September 2017. This Committee also receives this Annual Internal Audit Report, Risk Management reports and other reports from the Audit Commission giving assurance on the adequacy and effectiveness of risk management an internal control, Anti-Fraud and Corruption measures and of the Council's governance and value for money

arrangements. These assurances support the Annual Governance Statement that this Committee considers and approves. The Committee therefore oversees management arrangements for identifying and responding to the risks of fraud and the establishment of internal control.

Audit Committee

Item No.....

Report title:	External Auditor's Audit Plan 2017-18
Date of meeting:	19 April 2018
Responsible Chief Officer:	Executive Director of Finance and Commercial Services
Strategic impact The Audit Committee consider the work of the Council's External Auditors in accordance with their terms of reference, which are part of the Council's Constitution, part 4.1 (4.4) . (page 13) being: F. External Audit 1. Consider reports of external audit and other inspection agencies. 2. Ensure there are effective relationships between external audit and internal audit.	

Executive summary

The purpose of this report is to introduce the External Auditor's Audit Plan for the year ending 31 March 2018, which is attached as **Appendix A**. The Pension Fund has a separate plan, which is attached at **Appendix B**.

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

Members are recommended to consider:

- the External Auditor's Audit Plan for the Council for 2017-18 at Appendix A, including their assessment of the Audit Risks and Value for Money Risks and the new reporting timetable at part 7 of the plan
- the External Auditor's Audit Plan for the Pension Fund for 2017-18, including their assessment of the Audit Risks, at Appendix B
- whether there are other matters which you consider may influence their work.

1. Introduction

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

2. Evidence

The External Auditor's Audit Plan for the Council is attached as **Appendix A** to this report. There are no specific matters which are considered to influence their work. Audit Risks and Value for Money risks are set out in parts 2 and 3 of the plan.

Points of interest in the plan are:

- The new reporting timeline, to meet the new regulatory requirements, set out in part 7 of the plan
- Appendix A (Page 32) - mentions the fees for the audit, which are as expected

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

3. Financial Implications

There are no specific financial implications other than, we will be expecting a £29,381 saving for the Council (and £6,233 for the Pension fund) for the 2018-19 accounts audits. For the present audit the fee is £127,742 for the County, based from the first round of PSAA commissioning. The 2018-19 Scale of Fees for Opted in Bodies is presented at **Appendix C** for information.

4. Issues, risks and innovation

Risk implications

- 4.1 Apart from those listed in the report, there are no other implications to take into account.
- 4.2 A representative from EY will attend the meeting and answer members' questions.

5. Background

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

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

Officer Contact

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

Name	Telephone Number	Email address
Simon George	01603 222400	simon.george@norfolk.gov.uk
Adrian Thompson	01603 222784	adrian.thompson@norfolk.gov.uk

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Appendix A

External Auditor's Audit Plan for Norfolk CC 2017-18

Appendix B

External Auditor's Plan for Norfolk Pension Fund 2017-18

Appendix C

2018-19 Scale of Fees for Opted in Bodies

A black and white photograph showing a group of people gathered around a table, looking at and pointing to various documents. A smartphone is lying on the table in the foreground. The scene is brightly lit, with strong shadows.

Norfolk County Council

Audit Plan

Year ended 31 March 2018

23 February 2017



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

23 February 2018

Dear Committee Members

Audit planning report

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

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

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 19 April 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP
Enc

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



01

Overview of our 2017/18 audit strategy

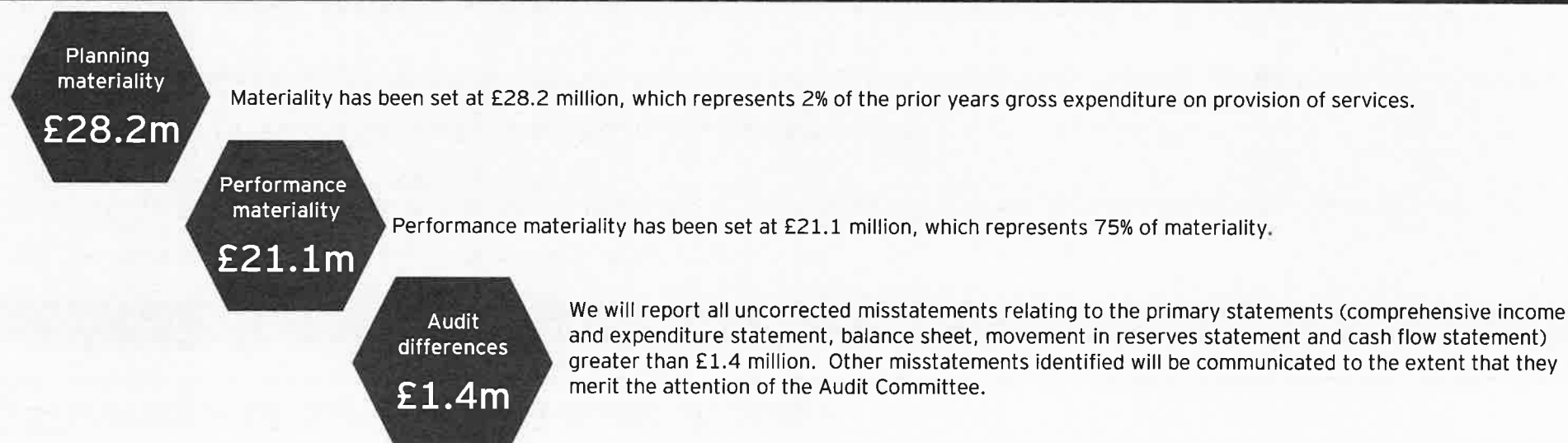
Overview of our 2017/18 audit strategy

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

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from FY
Risk of fraud in revenue and expenditure recognition	Fraud Risk	No change in risk or focus
Risk of management override of controls	Fraud risk	No change in risk or focus
Accounting for Academy conversions	Inherent risk	No change in risk or focus
Accounting for Property, Plant and Equipment	Inherent risk	No change in risk or focus
Pensions valuation and disclosures	Inherent risk	No change in risk or focus
Minimum Revenue Provision	Inherent risk	No change in risk or focus

Materiality



Overview of our 2017/18 audit strategy

Audit scope

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

- Our audit opinion on whether the financial statements of Norfolk County Council give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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

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

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

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

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



02

Audit risks



Our response to significant risks

We have obtained an understanding of your strategy, reviewed your principal risks as identified in your 2017/18 Accounts and combined it with our understanding of the sector to identify key risks that impact our audit. We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of fraud in revenue recognition*

Financial statement impact

Misstatements that occur in relation to the risk of fraud in revenue and expenditure recognition could affect the income and expenditure accounts.

There could also be a resulting impact on balance sheet accounts and the overall reserves position.

What is the risk?

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

The Council has historically performed well in relation to their outturn position for the year. As the Council is more focussed on its financial position over the medium term we have rebutted this risk for the Council's standard income and expenditure streams except for the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme. We have also considered the completeness of liabilities for any management bias.

These areas have also been considered as being linked to the risk of fraud in management override of controls (see below).

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Reviewing the appropriateness of revenue and expenditure recognition accounting policies and testing that they have been applied correctly during our detailed testing;
- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements (see also the management override of control section below);
- Reviewing income and expenditure accounting estimates for evidence of management bias;
- Performing sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to identify any revenue items that have been inappropriately capitalised;
- Testing a sample of liabilities based on our established testing threshold for reasonableness;
- Performing cut-off testing of transactions both before and after year-end to ensure that they were accounted for in the correct year based on our established testing threshold;
- Considering the completeness of liabilities included in the financial statements; and
- Evaluating the business rationale for any significant unusual transactions.

Our response to significant risks (continued)

Risk of Management Override*	What is the risk?	What will we do?
	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>We have assessed journal amendments, accounting estimates, adjustments between accounting basis and funding basis under regulations and unusual transactions as the areas most open to manipulation.</p> <p>Linking to our risk of fraud in revenue and expenditure recognition above we have considered the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme. We have also considered the completeness of liabilities for any management bias.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Identifying fraud risks during the planning stages; ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks; ▶ Understanding the oversight given by those charged with governance of management's processes over fraud; ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud; ▶ Determining an appropriate strategy to address those identified risks of fraud; ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements; ▶ Reviewing accounting estimates and adjustments between accounting basis and funding basis under regulations for evidence of management bias; ▶ Considering the results of our work on revenue and expenditure recognition as set out above, specifically considering any instances of management bias; and ▶ Evaluating the business rationale for any significant unusual transactions.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p><u>Academies</u></p> <p>Schools have continued to convert to academy status during 2017/18. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment.</p> <p>There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.</p> <p>Other balances relating to debtors, creditors, cash balances and income (including dedicated schools grant) and expenditure within the Council's accounts are considered to be lower risk due to their size and nature.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Review the arrangements for agreeing with the school assets, liabilities and balances for transfers; and ▶ Review 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.
<p><u>Accounting for Property, Plant & Equipment</u></p> <p>Property, Plant and Equipment represent a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet for land and buildings in particular.</p> <p>The Council will 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.</p> <p>As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▶ Sample test key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ▶ Review assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated; ▶ Consider changes to useful economic lives as a result of the most recent valuation; ▶ Consider circumstances that require the use of EY valuation specialists to review any material specialist assets and the underlying assumptions used; and ▶ Test accounting entries have been correctly processed in the financial statements.

Audit risks

What is the risk/area of focus?	What will we do?
<p><u>Pensions valuations and disclosures</u></p> <p>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.</p> <p>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.</p> <p>The information disclosed is based on the IAS19 report issued to the Council by the actuary to the pension fund.</p> <p>Accounting for this scheme involves significant estimation and judgement.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▶ Liaise with the auditors of Norfolk Pension Fund to obtain assurances over the information supplied to the actuary in relation to Norfolk County Council; ▶ Assess the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by National Audit Office (NAO) for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
<p><u>Minimum Revenue Provision (MRP)</u></p> <p>The MRP represents the minimum amount charged to the Council's revenue account each year in order to meet the costs of repaying amounts borrowed. This ensures that the Council makes a satisfactory annual provision for loan repayments.</p> <p>The Council reviewed their MRP policy during 2016/17 and identified that MRP of £66 million had been over-provided, based on a retrospective application of the Council's new MRP policy. The Council plan to release this amount over the period of the Medium Term Financial Plan (MTFP). This provided a finance general saving of £10 million in 2016/17.</p> <p>We reported to the Council in our 2016/17 Audit Results Report that we gained sufficient assurance for the release of the over provision used in 2016/17. There remains an inherent risk concerning the remaining value of calculated over provision to be released over the lifetime of the MTFP.</p> <p>This will include a review of the Council's decision in 2017/18 to make an additional voluntary MRP set aside of £20 million.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Assessing the conclusions drawn on the work and assumptions used by Capita (the Council's treasury management advisor); and ▶ Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to MRP.



03 Value for Money Risks

Background

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

For 2017/18 this is based on the overall evaluation criterion:

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

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

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

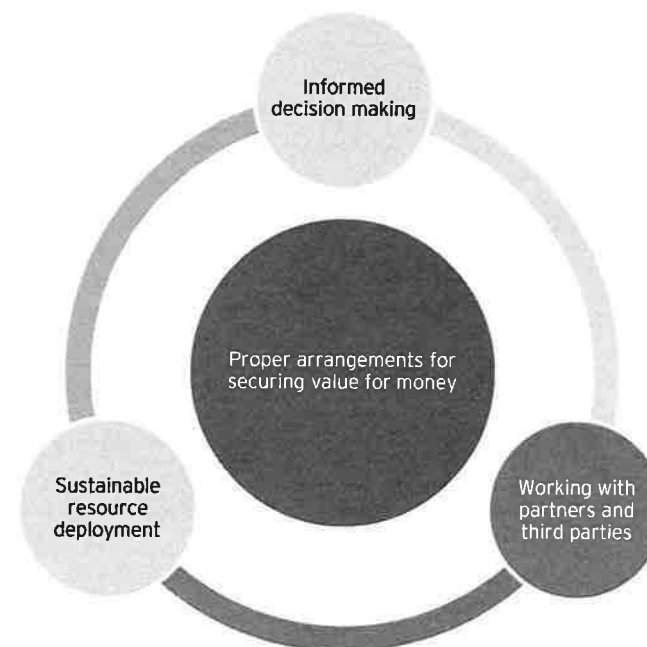
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

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

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

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

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



Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
<p>Sustainable resource deployment: Achievement of savings needed over the medium term</p>	<p>To date the Council has responded well to the financial pressure resulting from the continuing economic downturn. However, substantial savings are required over the period to 2017 to 2020 to balance the budget:</p> <ul style="list-style-type: none"> • 2017/18 = £47.8 million (identified savings) • 2018/19 = £29.8 million (identified savings + budget gap) • 2019/20 = £30.2 million (identified savings + budget gap) <p>(Source: Norfolk County Council Budget Book 2017-20)</p> <p>The most recent financial forecast for the year ended 31 March 2018 projects an overspend of £2.79 million, subject to the approved use of £2.59 million from Children's Services reserves.</p> <p>This forecast reflects the Council's projection that £5.2 million of the 2017/18 savings target is at risk of delivery.</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>We will:</p> <ul style="list-style-type: none"> ▶ Assess the adequacy of the Council's budget monitoring process, comparing budget to outturn; ▶ Consider the robustness of any key assumptions used in medium term planning; ▶ Consider the Council's approach to prioritising resources whilst maintaining services; and ▶ Consider the adequacy of savings plans in place and the historic achievement of these.



04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £28.2 million (£32.2 million for the group). This represents 2% of the Council's prior year gross expenditure on net cost of services plus financing and investment expenditure. In the prior year we applied a threshold of 1%, meaning that materiality was set as £13.4 million. Although the Council is a major local audit based on its size, we have considered its overall risk profile and public interest in comparison to other Council's, and do not consider there to be any heightened risks that would mean we need to adopt a lower level of materiality. As such we have raised materiality to 2%.

Materiality will be reassessed throughout the audit process. In an audit of a public sector entity, we consider gross expenditure to be the appropriate basis for setting materiality as it is the benchmark for public sector programme activities. We also consider 2% is appropriate on the ground that the Council has significant reserves and our prior year work had not identified any significant matters in relation to the budget setting, including the assumptions used in the financial planning. We have provided supplemental information about audit materiality in Appendix D.



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

Key definitions

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

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £21.1 million (£24.2 million for the group) which represents 75% of planning materiality. We have considered a number of factors such as the number of errors in prior year and any significant changes in 2017/18 when determining the percentage of planning materiality.

Component performance materiality range - we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group. Assigned performance materiality is £9 million for Norse and £7.2 million for Independence Matters (IM).

Audit difference threshold - we propose that misstatements identified below £1.4 million (£1.6 million for the group) are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement and balance sheet that have an effect on income or that relate to other comprehensive income. Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.

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

- **Fire Pension Scheme** - We have adopted a smaller materiality of 2% of benefits payable to reflect the differing nature of the pension fund. We have applied a materiality of £143,500 with a reporting threshold for audit differences of £7,176.
- **Remuneration disclosures, related party transactions and councillor allowances** - As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

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

We issue an audit report that covers:

1. Financial statement audit

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

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

Procedures required by standards

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

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO [delete if not applicable]

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

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

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

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

Analytics:

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

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

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

Internal audit:

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

Our Audit Process and Strategy (continued)

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July 2018.

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

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

To mitigate this risk we will require:

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

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

To support the Council we will:

- ▶ Work with the Council to engage early to facilitate early substantive testing where appropriate.
- ▶ Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- ▶ Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- ▶ Put in place a portal to streamline communication and sharing of audit evidence.
- ▶ Agree the team and timing of each element of our work with you.
- ▶ Agree the supporting working papers that we require to complete our audit.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

- 1. Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
- 2. Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope details for each component within Appendix E.

1	Full scope audits
Nil	Specific scope audits
1	Review scope audits
Nil	Specified procedures
Nil	Other procedures

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

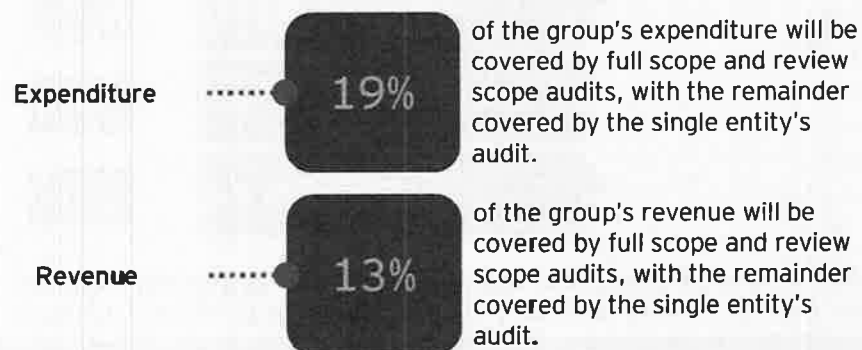
Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Scope of our audit

Scoping the group audit (continued)

Coverage of Revenue/Profit before tax/Total assets

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



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

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

Independence Matters is audited by EY.

Key changes in scope from last year

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

Group audit team involvement in Norse component audit

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

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

Details of review scope procedures for Independence Matters (IM)

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



06

Audit team



Audit team and use of specialists

Audit team

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

Specialists

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

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

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

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

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



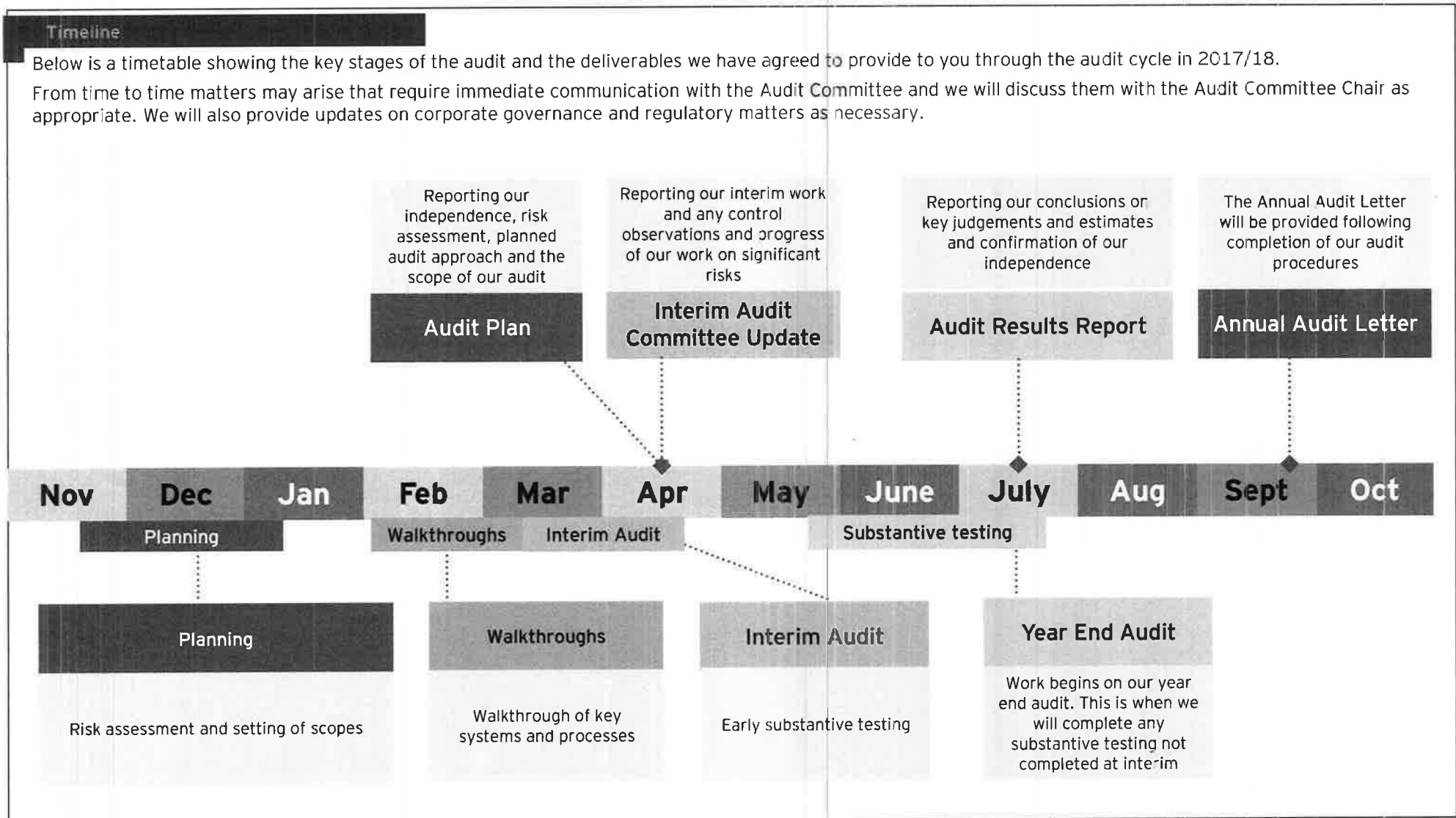
07

Audit timeline



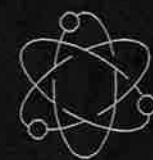
Audit timeline

Timetable of communication and deliverables





08 Independence



Introduction

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

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

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

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

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

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

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

Self interest threats

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

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

Services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 0.13:1. No additional safeguards are required.

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

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

Self review threats

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

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

Management threats

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

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

Relationships, services and related threats and safeguards

Other threats

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

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

Description of service	Related independence threat	Period provided	Safeguards adopted and reasons considered to be effective
<p>We have been engaged to undertake the audit of the:</p> <ul style="list-style-type: none"> Teacher's Pension return for 2016/17 at the request of the Council. The agreed upon procedures on the certification arrangements are complete. Our fee level is £7,450. Local Transport Plan Major Project return for 2016/17 at the request of the Council. The reasonable assurance procedures on the certification arrangements are complete. Our fee level is £8,650. 	<p>Self review threat - figures included in the return are also included in the 2016/17 financial statements.</p>	<p>Relates to 2016/17 return for the period to 31 March 2017.</p>	<p>We have assessed the related threats to independence and note that although certain figures in the return are included in the financial statements the procedures are being performed after the signing of the financial statements for 2016/17.</p> <p>The procedures focus on the specific requirements of the certification arrangements and no reliance is placed on this work for the purposes of the financial statements audit. No other threats to independence have been identified.</p>

Other communications

EY Transparency Report 2017

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£'s	£'s	£'s
Total Fee - Code work	127,742***	127,742	131,084*
Total audit	127,742	127,742	131,084
Other non-audit services not covered above (Teachers Pensions)	**	-	16,100**
Total other non-audit services	**	-	16,100
Total fees	127,742	127,742	147,184

All fees exclude VAT

* Our 2016/17 final fee included a fee of £3,342 for additional work to review the Council's revised Minimum Revenue Provision policy. This additional fee is subject to agreement with PSAA. As reported in the *Audit Risks* section, additional work will also be performed in 2017/18.

** As set out in the *Independence* section above, we have recently completed procedures for the Teachers' Pension return and Local Transport Plan Major Project return for 2016/17. We have not yet been engaged to undertake this work for 2017/18 but will provide an update on this as required.

*** Our planning work has identified two areas where additional work will be required in the 2017/18 audit, a change to the Council's internal reporting structure which will require amendments and re-auditing of the 2016/17 comparative figures, and an in year change to the social services financial system. The fee for this work has not been included in the table but we estimate an additional fee of between £2,000 to £4,000.

The agreed fee presented is based on the following assumptions:

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



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

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

Appendix B




Required communications with the Audit Committee

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

Required communications		Our Reporting to you
	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies. Audit Plan
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report

Appendix B

Required communications with the Audit Committee (continued)




		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report

Required communications with the Audit Committee (continued)

Required communications	What is reported?	Our Reporting to you When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the Council and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Details of any contingent fee arrangements for non-audit services ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The Audit Committee should also be provided an opportunity to discuss matters affecting auditor independence 	Audit Plan and Audit Results Report




Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit Results Report
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report
Group audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Plan Audit Results Report

Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan Audit Results Report Annual Audit Letter

Additional audit information

Other required procedures during the course of the audit

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

Our responsibilities required by auditing standards

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

Purpose and evaluation of materiality

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

Materiality determines:

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

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

A black and white photograph showing a group of people sitting around a table, reviewing documents. A smartphone is on the table. The image is used as a background for the document cover.

Norfolk Pension Fund Audit Plan

Year ended 31 March 2018

2 March 2018



Audit Committee and Pensions Committee
Norfolk County Council
County Hall
Martineau Lane
Norfolk - NR1 2DH

2 March 2018

Dear Audit Committee / Pension Committee Members,

2017/18 External Audit plan - Norfolk Pension Fund

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

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

This report is intended solely for the information and use of the Audit Committee, the Pension Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 19 March 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

For and on behalf of Ernst & Young LLP

Enc

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website (www.PSAA.co.uk). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment (updated February 2017)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



01

Overview of our 2017/18 audit strategy

Overview of our 2017/18 audit strategy

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

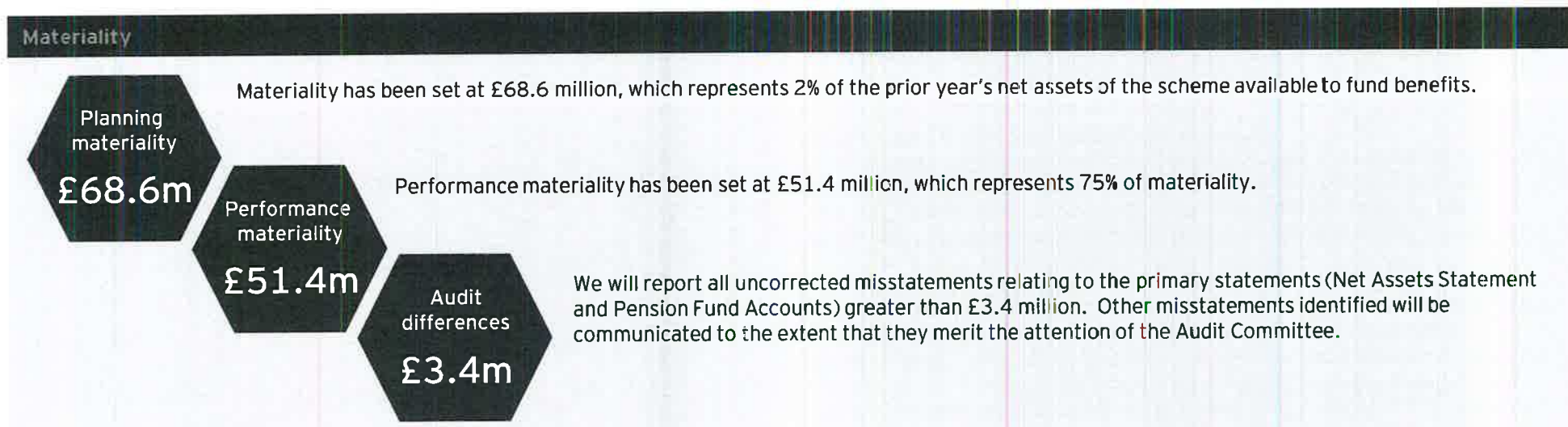
Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.
Valuation of complex investments (Unquoted investments)	Other financial statement risk	No change in risk or focus	<p>The Fund's investments include unquoted pooled investment vehicles such as private equity and property investments.</p> <p>Judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error. Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.</p> <p>The proportion of the fund comprising of these investment types is around 17% in 2016/17, and as these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as higher risk, as even a small movement in these assumptions could have a material impact on the financial statements.</p>

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

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

Overview of our 2017/18 audit strategy



Overview of our 2017/18 audit strategy

Audit scope

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

- Our audit opinion on whether the financial statements of Norfolk Pension Fund (the Pension Fund) give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2018 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2018; and
- Our opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Norfolk County Council.

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

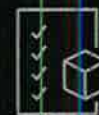
When planning the audit we take into account several key inputs:

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

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



02 Audit risks



Audit risks

Our response to significant risks

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

Risk of Management Override	What is the risk?	What will we do?
<p data-bbox="159 478 593 782"></p> <p data-bbox="159 782 593 837">Financial statement impact</p> <p data-bbox="159 837 593 1005">We have assessed that the risk of management override is most likely to affect investment income and assets in the year, specifically through journal postings.</p> <p data-bbox="159 1005 593 1101">Net return on investments at 31 March 2017: £535 million</p> <p data-bbox="159 1101 593 1212">Total net assets of the Fund available at 31 March 2017: £3.43 billion</p>	<p data-bbox="611 478 1198 734">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.</p> <p data-bbox="611 734 1198 798">We identify and respond to this fraud risk on every audit engagement.</p>	<p data-bbox="1216 478 2101 526">We will:</p> <ul data-bbox="1216 526 2101 909" style="list-style-type: none">▶ Test journals at year-end to ensure there are no unexpected or unusual postings;▶ Undertake a review of reconciliations to the fund manager and custodian reports and investigate any reconciling differences;▶ Re-perform the detailed investment note using the reports we have acquired directly from the custodian or fund managers;▶ Check the reconciliation of holdings included in the Net Assets Statement back to the source reports;▶ Review accounting estimates for evidence of management bias;▶ For quoted investment income we will agree the reconciliation between fund managers and custodians back to the source reports. <p data-bbox="1216 909 2101 1037">We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries for evidence of management bias and evaluate for business rationale.</p>

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Valuation of Complex Investments (Unquoted Investments)</p> <p>The Fund's investments include unquoted pooled investment vehicles such as private equity, and property investments.</p> <p>Judgements are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgement could result in a material valuation error.</p> <p>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.</p> <p>The proportion of the fund comprising of these investment types in 2016/17 is at circa 17%, and as these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as higher risk, as even a small movement in these assumptions could have an impact on the financial statements.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> • 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; • 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; and • Performing analytical procedures and checking the valuation output for reasonableness against our own expectations.



03

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £68.6 million. This represents 2% of the Pension Fund's prior year net assets. It will be reassessed throughout the audit process. In an audit of a pension fund we consider the net assets to be the appropriate basis for setting the materiality as they represent the best measure of the schemes' ability to meet obligations rising from pension liabilities. We have provided supplemental information about audit materiality in Appendix D.

In the prior year we applied a threshold of 1%, meaning that materiality was set as £34.3 million. Although the Pension Fund is a public interest entity and a major local authority based on its size, we have considered the overall risk profile and public interest in comparison to other Pension Funds, and do not consider there to be any heightened risks that would mean we need to adopt a lower level of materiality. As such we have increased planning materiality to 2% of net assets.



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

Key definitions

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

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £51.4 million which represents 75% of planning materiality. We have considered a number of factors such as the number of errors in prior year and any significant changes in 2017/18 when determining the percentage of performance materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the Fund Account and Net Asset Statement.

Other uncorrected misstatements, such as reclassifications, misstatements in disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.



04

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Pension Fund's financial statements to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers the financial statement audit.

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland) as well as on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Norfolk County Council.

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

Procedures required by standards

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

Procedures required by the Code

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

We are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

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

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

Analytics:

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

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

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

Internal audit:

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



05

Audit team



Audit team

Audit team

Audit team structure:



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

Audit team

Use of specialists

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

Area	Specialists
Pensions Liability	Hymans Robertson (Norfolk Pension Fund actuary) PwC (Consulting Actuary to the NAO) EY Pensions Advisory Team
Investment Valuation	The Pension Fund's custodian and fund managers

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

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

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



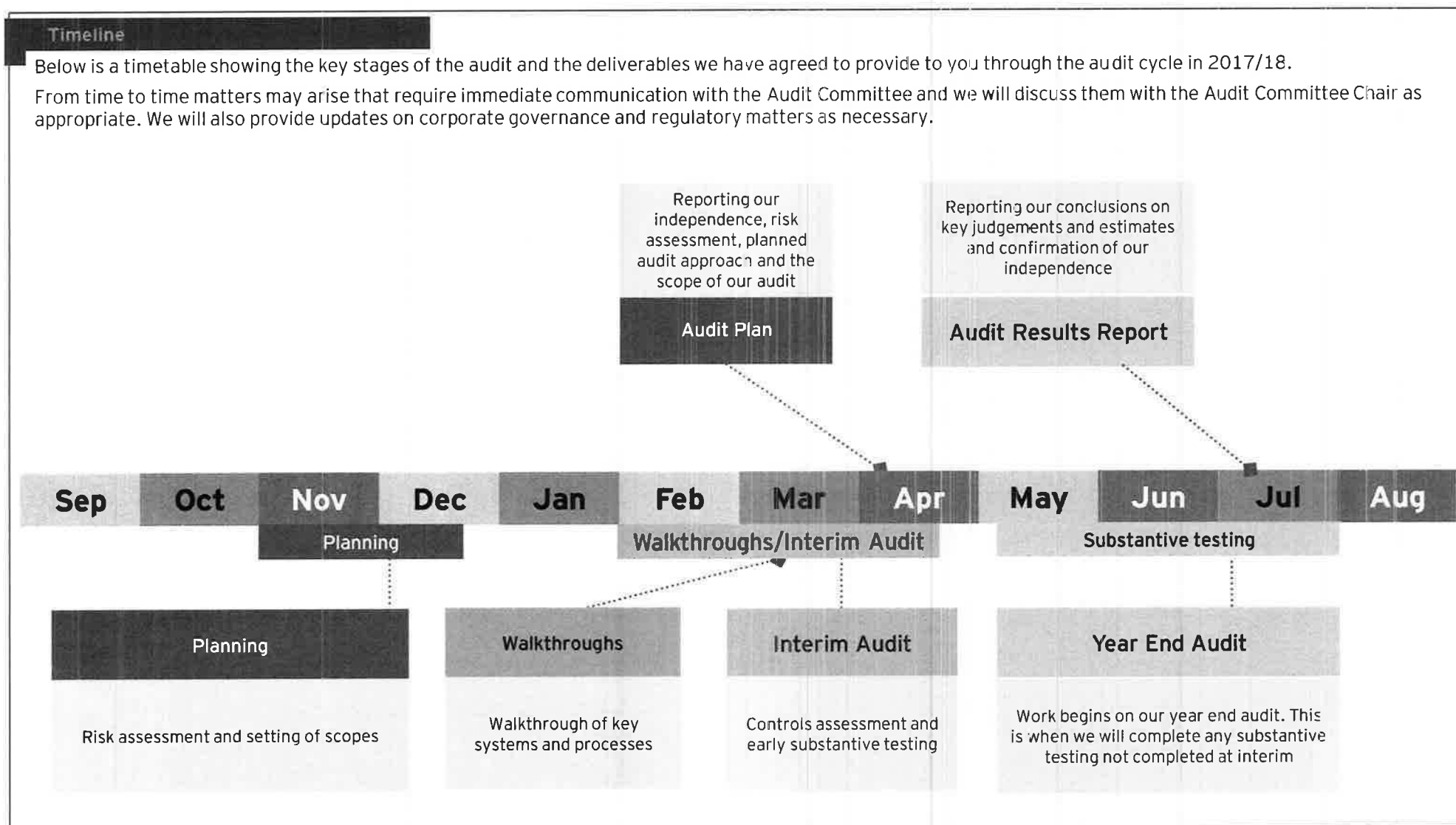
06

Audit timeline



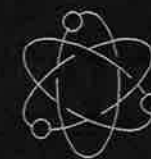
Audit timeline

Timetable of communication and deliverables





07 Independence



Introduction

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

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation] 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

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

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

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

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

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

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

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

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

Self review threats

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

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

Management threats

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

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

Other threats

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

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

Other communications

EY Transparency Report 2017

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£'s	£'s	£'s
Total Fee - Code work	29,399	27,099	29,399
Total fees	29,399	27,099	29,399

All fees exclude VAT

We anticipate charging an additional fee of £2,300 in 2017/18 to take into account the additional work required to respond to IAS19 assurance requests from scheduled bodies. This is consistent with the additional fee agreed in 2016/17.

The agreed fee presented is based on the following assumptions:

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

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

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

Appendix B

Regulatory update




In previous reports to the Audit Committee, we highlighted the issue of regulatory developments. The following table summarises progress on implementation:

Earlier deadline for production and audit of the financial statements from 2017/18	
Proposed effective date	Effective for annual periods beginning on or after 1 April 2017.
Details	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.
Impact on Norfolk Pension Fund	<p>These changes provide challenges for both the preparers and the auditors of the financial statements. Please note that both the Council and Pension Fund teams successfully delivered an early sign-off in 2016/17 and hence this should place us in a good position to achieve the faster close deadline in 2017/18.</p> <p>We held a faster close workshop for clients on in November 2017 to facilitate early discussion and sharing of ideas and good practice.</p> <p>We are now working with the Pension Fund on ideas coming from the workshop, for example:</p> <ul style="list-style-type: none">• Streamlining the Statement of Accounts removing all non-material disclosure notes;• Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information and investment valuations;• Providing training to finance staff regarding the requirements and implications of earlier closedown;• Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure;• Establishing and agreeing working materiality amounts with the auditors.




Appendix C

Required communications with the Audit Committee

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




		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Plan - March 2018
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - July 2018

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - July 2018
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report - July 2018
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report - July 2018
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - July 2018




Appendix C

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

		 Our Reporting to you			
Required communications	 What is reported?	 When and where			
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan - March 2018</p> <p>Audit Results Report - July 2018</p>			
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - July 2018			
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit, Governance and Standards Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit, Governance and Standards Committee may be aware of 	Audit Results Report - July 2018			
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - July 2018			

Appendix C

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - July 2018
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit Results Report - July 2018
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - July 2018
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - March 2018 Audit Results Report - July 2018

Additional audit information

Other required procedures during the course of the audit

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

Our responsibilities required by auditing standards

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

Additional audit information (continued)

Purpose and evaluation of materiality

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

Materiality determines:

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

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

2018/19

audit fee scale

Opted-in local government and police bodies

March 2018

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

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

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

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

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

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Introduction

- 1 This document sets out the scale of fees for the audit work to be undertaken by appointed auditors in respect of the 2018/19 financial statements at relevant principal authorities that have opted into Public Sector Audit Appointments' (PSAA) national auditor appointment arrangements.
- 2 The Local Audit (Appointing Person) Regulations 2015 (the Regulations) require PSAA to consult on and specify, before the start of the financial year to which the fees relate, the scale of fees for the audit of the accounts of opted-in authorities.
- 3 Audit work will be undertaken under the requirements of the [Code of Audit Practice](#) and supporting guidance published by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.
- 4 The [statement of responsibilities of auditors and audited bodies](#) applies to the work covered by the fee scale set out in this document. The statement effectively represents the terms of engagement between appointed auditors and audited bodies, and summarises their respective responsibilities.

Background

- 5 PSAA is specified under the Local Audit and Accountability Act 2014 (the 2014 Act) and the Regulations as the appointing person for principal local government bodies in England, including local police bodies.
- 6 PSAA's responsibilities as an appointing person include appointing auditors to opted-in bodies, setting fees, and monitoring the quality of auditors' work provided under our contracts with audit firms. More information about [PSAA](#) is available on our website.
- 7 During 2017, PSAA made auditor appointments for the five years of the current appointing period, covering the audits of the financial statements of opted-in bodies for 2018/19 to 2022/23. A list of opted-in bodies and the audit firm PSAA has appointed as the auditor is available on the [auditor appointments](#) page of our website.

2018/19 scale fees

- 8 PSAA has set the fee scale for 2018/19 on the basis that individual scale fees for all opted-in bodies are the fees applicable for 2017/18 with a reduction of 23 per cent. This gives opted-in bodies the benefit of the cost savings achieved in the recent audit procurement, and continues the practice of averaging firms' costs so that all bodies benefit from the same proportionate savings, irrespective of the firm appointed to a particular opted-in body. It also passes on the benefit of economies which PSAA is making in its own operating costs.
- 9 The fee reduction for 2018/19 follows the significant reductions in scale fees made by the Audit Commission between 2012/13 and 2015/16. In part those reductions were possible as a result of a significant reduction in the staffing and activities of the Audit Commission as it prepared for closure.

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

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

Scale fees beyond 2018/19

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

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

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

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

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

Distribution of surplus

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

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

Enquiries

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

2018/19 work programme

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

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

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

Scope of audit

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

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

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

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

Other auditor responsibilities

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

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

Audit quality

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

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

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

National report

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

2018/19 fee scale

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

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

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

Fee variations

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

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

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

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

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

Value added tax

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

Audit Committee

Item No. 7

Report title:	Risk Management Report
Date of meeting:	19 April 2018
Responsible Chief Officer:	Executive Director, Finance and Commercial Services
Strategic impact One of the Audit Committee's roles is to consider the Council's risk management. Assurance on the effectiveness of risk management and the corporate risk register helps the Committee undertake some of its key responsibilities. Risk Management contributes to achieving corporate objectives, and is a key part of the performance management framework.	

Executive summary

This report provides the Committee with the corporate risk register as it stands in April 2018, along with an update on the Risk Management Strategy 2016-19, and other related matters, following the latest review conducted during March 2018.

Risk Management is reported in its own right but the reporting is aligned with, and complements, the performance and financial reporting to relevant Committees.

The corporate risk register was last reported to the Audit Committee (for risk management assurance) in January 2018, prior to being refreshed mid-March 2018 to show the latest developments. Officers have worked through the suggestions from that Committee. The latest significant changes since the last Risk Management report to Audit Committee are shown in **Appendix A** (the risk reconciliation report). The latest progress against mitigations for corporate risks since the last Audit Committee is shown at **Appendix B** (the risk register report).

Recommendations:

Committee Members are asked to consider:

- The changes to the corporate risk register (**Appendices A and B**), the progress with mitigating the risks; and
- The scrutiny options for managing corporate risks, (**Appendix C**);
- The movement of corporate risks since the last meeting (**Appendix D**);
- If any further action is required.

1. Proposal

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

2. Evidence

2.1. Direction

- 2.1.1. The Council's Medium Term Strategy and Financial Plan, adopted in February 2018, provides council-wide priorities, and these have been developed into some clear outcomes and measures by officers and members. With regards to the development of Norfolk Futures, which considers seven priorities that the Council is working towards achieving, the Council is leading on, and delivering, changes, and is becoming more strategic with the right attitudes and skills, able to change at pace while shedding cost. The Council is continuing to strengthen governance and performance management, which include effective risk management arrangements. The overall direction should move towards a reduction in corporate risk scores, wherever possible.
- 2.1.2. A Medium Term Risk Management Strategy 2016-19 has been initiated, and is currently being developed by the Risk Management Officer.

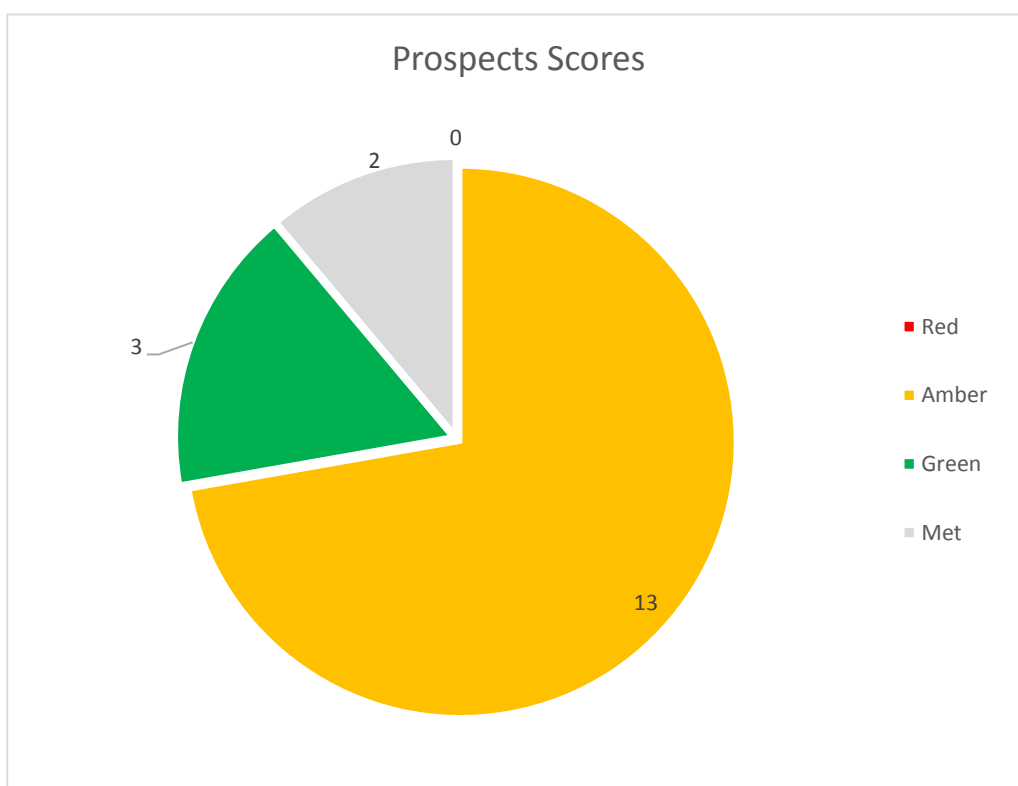
2.2 Progress

- 2.2.1 Overall, corporate risk scores continue to be generally stable. Since the last report to the Audit Committee, further work has been carried out developing risk mitigations and progress reports that are more specific, measurable, achievable, realistic and timed, and aligning the plans and progress reporting more closely with each other. The corporate risk register is joined up with the Council's 2017-18 Internal Audit Plan, with separate risk scrutiny applied by the Risk Management Officer to corporate risks where audits have not been identified. Progress against mitigations set can be better identified, moving towards a reduction in risk scores, wherever possible. The goal is to better reflect the significant corporate risks to Norfolk County Council, and the actions required to mitigate them, managed by the County Leadership Team, and owned by the Policy and Resources Committee.
- 2.2.2. Work continues to take place to further develop risk management which continues to be reviewed and strengthened. The revised Risk Management Policy and accompanying procedures are in place and have recently been promoted in the Norfolk Manager bulletin to County Council managers.

The latest corporate risk register details 18 risks, presented at **Appendix B**. Corporate risks are where the occurrence of an event may have an impact on the County Council achieving its objectives or missing opportunities. Each risk has been allocated to the appropriate Executive Director along with a risk owner and reviewer who are able to influence the mitigation and regularly report on progress so that all reports contain the most current information relating to the risk. It is the nature of corporate risks that every Executive Director has a responsibility to contribute, support and progress the tasks to mitigate the risks, through the County Leadership Team and their Departmental Management Teams.

- 2.2.3. **Appendix B** contains a full description of each corporate risk with the tasks to mitigate it and the progress of that mitigation. There are three risk scores (original, current, and target), with each score expressed as a multiple of the impact and the likelihood of the event occurring.
- 2.2.4. There is one risk with a red rated current risk score:
 - 1. **RM023 - Failure to understand and act upon changes to demography, funding, and government policy, with particular regard to Adults Services.**
- 2.2.5. Risk owners have considered whether the risks will meet the target score by the target date, shown as a prospects score. Thirteen risks are assessed as “Amber—some concerns” that targets may not be met, and three are assessed as “Green - on schedule” to meet their target by the target date. Two risk scores have been assessed as meeting their target scores by the target date, but are continuous in their nature, and remain on the corporate risk register. There are currently no risks with a ‘prospects’ target red risk score (see note 2 for the definition):
- 2.2.6. A reconciliation to the January 2018 Audit Committee report is presented at **Appendix A**, detailing the significant changes to corporate risks since the January 2018 report.
- 2.2.7. As part of the overall development of the performance and risk management framework for the Council, a new approach to corporate and departmental risk management is being adopted. This new approach involves the development of corporate and departmental level risks that are: outcome focussed; linked to strategic priorities; business critical, identifying areas where failure places the organisation in jeopardy; linked to financial and performance metrics. It is dependent upon a shared understanding of the risk appetite of the council.
- 2.2.8. A key element of this work is cultural change and absolute clarity of roles, responsibilities and process. Specifically, clarity of what these risks are, who is responsible for them, what they are doing to actively manage the risks and what measures are in place to hold people to account.
- 2.2.9. To assist Members with considering whether the recommended actions identified in this report are appropriate, or whether another course of action is required, a new list of such possible actions, suggested prompts and challenges are presented for information and convenience in **Appendix C**.

- 2.2.10. Explanations for the various scores and terminology can be found in the new Risk Management Procedures.
- 2.2.11. For ease of reference the risks have been plotted on a heat map, in **Appendix D**, to illustrate each risk's relative position measured by likelihood and impact for their current risk score.
- 2.2.12. The criteria for Corporate and Departmental risks are described at Note 1. A description of target scores is shown at Note 2.
- 2.2.13. Fig. 1. below reflects the percentages of risks in each prospects category.



- 2.2.15 Overall, progress is considered satisfactory, and mitigations are proportionate to their ratings.

2.3 Development

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

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

The following strands are identified for taking forward;

2.4. Strategy into Action / Accountability

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

2.5. Commerciality – Business Like

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

2.6. Data Analytics – Evidence based

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

2.7. Influencing – Collaborative

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

3. **Risk Management reporting to Committees**

- 3.1. Risk management is reported separately to financial and performance management at Committees, although there continue to be close links between financial, performance, and risk reporting. The Audit Committee Chairman has proposed that departmental level risks are reported, in detail, to Committees at least once per year. The remaining departmental reporting throughout the year continues to be by exception, including full information for risks with a current risk score of 12 and above where the prospects of meeting the target score by the target date is reported as amber or red. A risk report is presented to each Committee on a quarterly basis, at the same time as the Finance and Performance Reports.

4. **Financial Implications**

- 4.1 There are financial implications relating to risk RM017 - *Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£205m)*. In November 2017, the budget allocated to the delivery of the NDR was increased to £205m. Whilst the likelihood of not delivering the NDR to this revised budget has significantly reduced, there remain project risks of not delivering the NDR to budget. A proposed long term capital funding arrangement to replenish the funding to be drawn from cash reserves was presented to the January 2018 Policy and Resources Committee. This risk will be continue to be reported until the delivery of the NDR project is fully concluded.

5. **Issues, risks and innovation**

- 5.1 A new departmental level risk relating to the delivery of the Third River Crossing project to time and budget was presented to the January 2018 EDT Committee following the January 2018 Audit Committee. The Third River Crossing project is

still at an early stage of development, with no current issues, with this risk being noted here for Members awareness.

- 5.2 Following the identification of an opportunity for revenue generation, a new Traded Risk Management service has been set up, with the objective of generating income for the Risk Management Function of Norfolk County Council from other local councils and local public facing organisations. The Risk Management Officer is available to consult on risk management, helping such organisations to develop their risk management functions in exchange for a half/full day consultation rate charged for each session delivered, and thereby generating revenue.
- 5.3 The Risk Management Strategy 2016-19 will include best practice. The intention is to promote the benchmarking of the function from 'Highly rated against peers' to 'world class'.

6. Background

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

Officer Contact

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

Officer name : Adrian Thompson **Tel No. :** 01603 222784

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

Officer name : Thomas Osborne **Tel No. :** 01603 222780

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



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

Note 1:

A Corporate Risk is one that:

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

The criteria for a Departmental Risk Register is that:

- It requires strong management at a departmental level thus the Departmental Management Team should direct any action to be taken.
- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key departmental objectives and/or suffer a significant financial loss or reputational damage.

Note 2:

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

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

Appendix A – Risk Reconciliation Report

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

New Risks

There is one new risk to report:

RM024 - Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction completed early 2023)

This risk has been added to the corporate risk register, following sign off at the EDT and Policy and Resources Committees of the recommendation to have oversight of this risk at a corporate level.

Closed Risks

There is one new closed risk to report:

RM018 - Potential failure to move out of intervention

Following the movement out of intervention for Children's Services, this corporate risk has been closed.

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

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

Risk Number	RM001					Date of update		26 March 2018		
Risk Name	Infrastructure is not delivered at the required rate to support existing needs and the planned growth of Norfolk									
Risk Owner	Tom McCabe					Date entered on risk register		01 July 2015		
Risk Description										
1) Not securing sufficient funding to deliver all the required infrastructure for existing needs and planned growth leading to: • congestion, delay and unreliable journey times on the transport network • a lack of the essential facilities that create sustainable communities e.g. good public transport, walking and cycling routes, open space and green infrastructure. 2) Not meeting the funding profiles (e.g. Local Growth Fund) and losing the funding.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	15	3	3	9	3	2	6	Mar-19	Amber
Tasks to mitigate the risk										
1.1) County and District Council staff to compile evidence for Local Growth Fund 3 (LGF3) schemes by LEP deadline (End of 2017) to maximise the chance of success. Funding announced and the Local Enterprise Partnership will make a decision anticipated to be spring 2018.										
1.2) Engage with Highways England over recommendations for RIS2 programme over summer 2017.										
1.3) Review Planning Obligations Standards annually to ensure we are seeking the maximum possible contributions from developers. Officer review December 2017. Member adoption March/April 2018.										
1.4) Submit business cases for Pooled Business Rates (PBR) funding by end of July 2017 and end of October 2017.										
2.1) Manage and oversee development and delivery of individual Local Growth Fund allocation schemes. Undertake consultation and feasibility work to determine priorities.										
2.2) Periodically review timescales for S106 funding to ensure it is spent before the end date and take action as required. Periodic reviews up until the end of March 2018 for transport contributions and an annual review process from April to July 2017 for library and education contributions.										
Progress update										

Progress update

1.1) 27 LEP pro formas have been completed for the highest priority LGF schemes.

1.2) Acle Straight and East Winch to Tilney dualling identified as key priorities for RIS2 by NCC and the A47 Alliance and these have been recommended to HE.

1.3) Review programmed for December 2017.

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

King's Lynn Transport

Norwich Western Link

Great Yarmouth Transportation Strategy

Dereham Market Town Study

Long Stratton Bypass

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

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

Risk Number	RM002		Date of update		26 March 2018					
Risk Name	The potential risk of failure to manage significant reductions in local and national income streams									
Risk Owner	Simon George		Date entered on risk register		01 July 2015					
Risk Description										
This may arise from global or local economic circumstances (i.e. Brexit), government policy on public sector budgets and funding. As a result there is a risk that the Medium Term Financial Strategy savings required for 2017/18- 2019/20 are not delivered because of uncertainty as to the scale of savings resulting in significant budget overspends, unsustainable drawing on reserves, and severe emergency savings measures needing to be taken. The financial implications are set out in the Council's Budget Book, available on the Council's website.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	5	20	3	4	12	3	4	12	Mar-19	Amber
Tasks to mitigate the risk										
Medium Term Financial Strategy and robust budget setting within available resources. No surprises through effective budget management for both revenue and capital. Budget owners accountable for managing within set resources. Determine and prioritise commissioning outcomes against available resources and delivery of value for money. Regular and robust monitoring and tracking of in-year budget savings by CLT and members. Regular finance monitoring reports to Committees. Close monitoring of central government grant terms and conditions to ensure that these are met to receive grants. Plans to be adjusted accordingly once the most up to date data has been received.										
Overall risk treatment: reduce										
Progress update										
Government's 2017-18 local government finance settlement reflected in the 2017/18 budget and Medium Term Financial Strategy. DCLG confirmed on 16th November 2016 that it had accepted the Council's Efficiency Plan which results in a multi year settlement and provides more certainty over the level of future Government funding. The risk impact score has been lowered from 5 to 4 to reflect this. Policy and Resources Committee on 29 January 2018 considered the latest 2017/18 monitoring position and recommended a 2018/19 budget and future Medium Term Financial Strategy to County Council. The Government announced the final 2018/19 Local Government Financial Settlement on 6 February 2018. County Council approved the 2018/19 budget and Medium Term Financial Strategy on 12 February 2018 which incorporated the final settlement. The council's external auditors gave an unqualified audit opinion on the 2016-17 Statement of Accounts and were satisfied that the County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.										

Risk Number	RM003					Date of update		26 March 2018		
Risk Name	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practice relating to information compliance and information security.									
Risk Owner	Simon George					Date entered on risk register		30 September 2011		
Risk Description										
There is a risk of failing to comply with statutory and/(or) national/local codes of practices in relation to Information Compliance. This could lead to significant reputational and financial risk for NCC. This risk is separate to RM007, which looks at the risk of not having the correct or accurate data to make key decisions.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	15	3	4	12	2	4	8	May-18	Amber
Tasks to mitigate the risk										
1) Implementation of SIRO (Senior Information Risk Owner) , CIO (Chief Information Officer), Corporate Information Management Team encompassing Information Management, Information Governance, Records Management, policies confirming responsibilities.										
2) Ensure that information and data held in systems (electronic and paper) is accurate, up to date, comprehensive, secure against security breaches, and fit for purpose to enable managers to make confident and informed decisions.										
3) Ensure that all staff and managers are provided with training, skills, systems and tools to enable them to meet the statutory standards for information management.										
4) SIRO to receive assurance of compliance with statutory and/or national/local codes of practice in relation to information compliance from Information Asset Owners when reporting the Annual Governance Statement.										
5) NCC is NHS Information Governance Toolkit compliant to Level 2										
6) Embedding and enhancing Cyber Security techniques and Protocols through recommendations from the recent Cyber Security Audit - i.e data loss, ransomware and system outages etc.										
GDPR work plan has been to CLT and the ICG now owns the plan.										
The current impact score is at 4 to take into account the increase in corporate tools to manage and ensure compliance - Information Asset Register, Policies and Procedures, Training and Awareness Strategy and Business buy-in.										
The target date has been changed to take into account recommendations to be undertaken as a result of the ICO Audit.										
The new General Data Protection Regulations are to be implemented by May 2018. A GDPR paper and work plan agreed by the ICG will go to CLT for sign off, with further work progressing. The work plan will include a corporate plan that will add further mitigation in reducing this risk.										
Progress update										

Progress update

The IM Maturity Readiness plan has objectives and outcomes around the key information management tasks identified within the risk. The plan is initially focussed on the first three information principles as the foundation layers, Information is a valued asset, information is managed and information is fit for purpose.

Data cleansing has started in relation to Children's and Adult's social care information pre-procurement. The council now has a corporate Information Asset Register in line with industry best practice, which all services have added their key information assets and these have identified Information Asset Owners (IAOs) associated with them. The SIRO will receive quarterly exception reports from the IAO's and the IAO's will on a regular basis update these assets and any risks associated with them. The governance of the monitoring of the register and the assets themselves has been agreed with the SIRO and identified to the Caldicott Guardians.

Norfolk County Council is NHS IG toolkit accredited for 2017/18, following re-accreditation in March 2017.

Six new Corporate Information Management policies signed off by Business

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

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

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

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

The Annual Governance Statement is being produced with assurance of compliance to be incorporated. GDPR programme of work is underway reporting to the ICG and escalation to IMT steering Group/CLT.

Risk Number	RM004					Date of update		26 March 2018		
Risk Name	The potential risk of failure to deliver effective and robust contract management for commissioned services.									
Risk Owner	Simon George					Date entered on risk register		01 July 2015		
Risk Description										
Ineffective contract management leads to wasted expenditure, poor quality, unanticipated supplier default or contractual or legal disputes The council spends some £600m on contracted goods and services each year.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	12	3	4	12	2	3	6	May-18	Amber
Tasks to mitigate the risk										
1) Agree a standard corporate approach to the management of significant contracts.										
2) Conduct a gap analysis, initially focused on the top fifty contracts.										
3) Put in place an action plan based on the gap analysis										
4) The March 2017 Policy & Resources report should update Members on the procurement procedure.										
5) Procurement pipeline to go to all Committees with each Committee to have their own procurement pipeline summary.										
6) Appoint a Senior Commissioning Officer for Norse services.										
7) Review contracts to ensure compliance with the GDPR from May 2018.										
Overall risk treatment: reduce										
Progress update										
1) CLT agreed the standard approach on 30 June 2016.										
2) An initial pilot was undertaken on ten contracts to assess the useability of the contract management standards and associated templates. This was used to refine the templates.										
3) A gap analysis of the top fifty contracts and associated categories has been completed, identifying themes and trends in contract management performance. An action plan to address those issues is being developed and will be completed by the end of May 2018.										
4) The March 2017 Policy & Resources report updated Members on procurement procedure.										
5) The procurement pipeline goes to all Committees and is being tailored to each Committee to show their procurement. It is also being taken up by some departmental management teams.										
6) A Senior Commissioning Officer has been appointed for Norse services.										
7) Contracts are currently being reviewed, to ensure compliance with the GDPR as of May 2018.										

Risk Number	RM006					Date of update		26 March 2018		
Risk Name	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2018/19 - 2021.									
Risk Owner	Wendy Thomson					Date entered on risk register		01 July 2015		
Risk Description										
The failure in strategic planning meaning the Council lacks clear direction for resource use and either over-spends, requiring the need for reactive savings during the life of the plan, or spends limited resources unwisely, to the detriment of local communities.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	15	2	5	10	2	5	10	Apr-18	Met
Tasks to mitigate the risk										
1) Clear robust planning framework in place which sets the overall vision and priority outcomes. A council-wide strategy which seeks to shift focus to early help and prevention, and to managing demand 2) Strategic service and financial planning process which translates the vision and priorities into achievable, measurable objectives, with clear targets. 3) A robust annual process to provide evidence for Members to make decisions about spending priorities. 4. Regular and robust in-year financial monitoring to track delivery of savings and manage in-year pressures 5.) Sound engagement and consultation with stakeholders and the public. 6) A performance management and risk system which ensures resources are used to best effect, and that the Council delivers against its objectives and targets.										
Overall risk treatment: reduce										
Progress update										

Progress update

1) The Council agreed the Strategic and Financial Planning 2018-19 to 2021-22 and Revenue Budget for 2018-19 at its meeting on 12 February 2018. In making their decisions, Councillors had the benefit of a cycle of robust committee discussions about priorities and pressures on services. The Strategy Director was appointed in April 2017. The new service will focus on building effective intelligence and analytics alongside the Strategy and Delivery unit to develop the County Council plan and monitor the delivery of the Corporate priorities.

2) In agreeing the budget, a detailed review of the deliverability of previously agreed savings was undertaken. As a result, a number of savings were reversed or delayed to ensure sustainability going forward.

3) The County Plan continues to provide the strategic context for the Council, providing direction and guiding strategic and resource choices.

4) Regular performance reporting to committees is focusing attention on poorly performing areas and highlighting areas of good performance. Dashboards are used, providing a summary of key performance indicators (KPIs) which focus on key areas agreed by Members and Chief Officers, together with the red, amber, green rating (RAG) ratings and direction of travel (DoT).

5) There was a public Consultation for savings in 2018-19 and the feedback was considered in detail by councillors.

6) Re-shaping the corporate centre of the council will strengthen corporate oversight, horizon scanning, and strategic planning to marshal evidence and intelligence to support prioritisation and decision making.

7) An early review of the County Council plan is taking place in line with the direction of the current administration with the aim of having a full plan and performance monitoring in place by April 2018.

Risk Number	RM007					Date of update		26 March 2018		
Risk Name	Potential risk of organisational failure due to data quality issues.									
Risk Owner	Simon George					Date entered on risk register		01 July 2015		
Risk Description										
Failure to manage the data quality will prevent us from ensuring that data relating to key Council priorities is robust and valid. This places the Council at risk of making decisions using data that is not always as robust as it should be. This may lead to poor or ineffective commissioning, flawed decision making and increased vulnerability of clients, service users and staff. This risk is separate to RM003, which looks at the risk of failure to adhere to national and/or local statute or codes of practice relating to information compliance or information security.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	15	3	5	15	2	4	8	Dec-18	Amber
Tasks to mitigate the risk										
1) Implementation of the Information Management Strategy, Information Governance Framework, Data Protection, Information Sharing, Freedom of Information, Records Management, Managing Information Risk, and Information Security. 2) Information Compliance Group (ICG) has the remit to ensure the overarching Information Governance Framework is embedded within business services and NCC and elements of the IM Maturity Readiness Plan. 3) Ensuring that all staff and managers are provided with training, skills, systems and tools to enable them to meet the statutory/NCC standards for information management. 4) Ensuring the Mandated E-Learning Data Protection 3 year refresher data - Information sent to CLT and CLG on a monthly basis for review and action 5) The implementation of a corporate Records Management solution 6) The implementation of a corporate Identity and Access Management solution										
Overall risk treatment: reduce										
Progress update										
The IM Maturity Readiness plan has objectives and outcomes around the key information management tasks identified within the risk. The plan is initially focussed on the first three information principles as the foundation layers, Information is a valued asset, information is managed and information is fit for purpose. April 2017 compliance rate for 3 year refresher is 97.6% - 2.6% higher than the target for the vital sign of 95%. A pilot training programme has been completed concerning increasing data accuracy skills. The pilot was for 32 staff accross all services. The Council now has a corporate Information Asset Register in line with industry best practice, which all services have added their key information assets and these have identified Information Asset Owners (IAOs) associated with them. The SIRO will receive quarterly exception reports from the IAO's and the IAO's will regularly update their assets and any risks associated with them. The governance of the monitoring of the register and the										

Progress update

assets themselves has been agreed with the SIRO and identified to the Caldicott Guardians.

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

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

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

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

Risk Number	RM010					Date of update		26 March 2018		
Risk Name	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.									
Risk Owner	Simon George					Date entered on risk register		02 September 2015		
Risk Description										
Loss of core / key ICT systems, communications or utilities for a significant period - as a result of loss of power, physical failure, fire or flood, supplier failure or cyber attack - would result in a failure to deliver IT based services leading to disruption to critical service delivery, a loss of reputation, and additional costs. Overall risk treatment: reduce.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	12	3	4	12	1	3	3	Sep-18	Amber
Tasks to mitigate the risk										
1) Full power down completed periodically. 2) Voice and Data reprocurement. 3) Commision Independant Data centre and power audit 4) Reprocure storage with suitable resilience and Disaster Recovery (DR) 5) Reprocure Microsoft Server Infrastructure with suitable resilience and DR 6) Replace ageing Local Area Network (LAN) equipment 7) Identify a suitable DR site to replace Carrow House 8) Ensure access to services if county hall lost by reconfiguring Core Infrastructure Services (DHCP, DNS, Active directory) 9) Implement Cloud-based business systems with resilient links for key areas 10) Replace voice services (contact center / desk phones) with resilient cloud based service including Relocate resilient Network Routing Server to allow call routing to continue for other sites if County Hall failed Reconfigure sites to point to an active Survivable Media Gateway (one of the 4 ISDN sites) so if Avaya fails a reduced fall back service is available 11) Review and Implement suitable arrangments to protect against possible cyber / 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 (Oct 2017)										
Overall risk treatment: reduce										
Progress update										

Progress update

'Progress completed to date

- 1) Full power down completed and procedures updated from lessons learned.
 - 2) Voice and Data reprocurement complete and implemented significantly increasing resilience for the Wide Area Network and internet.
 - 3) Commissioned Independant Data centre and power audit, complete August 2017, recommended separate diverse power supply and new data centre's, costing additional power and plan (subject to approval) new data centre's as part of basement / lower ground refurbishment.
 - 4) New storage procured, implemented in July 2017, providing additional resilience and necessary DR capability once a full DR site is implemented
 - 5) New Microsoft Server Infrastructure procured implementation complete ready for migration to the millenium library when ready to test full DR capability.
 - 8) All core infrastructure services (DNS, AD, ADFS, NPS, AlwaysOn VPN) are now clustered across to the Secondary site ;
 - All production Wintel servers (380) are now replicated to the Secondary site;
 - Email system is now able to operate independent of County Hall campus. This includes user's access to mailbox as well as ability to send/receive internal and external emails.
 - 9) Cloud-based highways management system has been implemented; Liquid Logic replacement is remotely hosted and due live by April 2018 with resilient network connections ordered; review of Oracle hosting has commenced.
 - 11) To mitigate against a cyber attack Network segregation has been improved over the Wide Area Network (WAN), ensuring all partners that use the NCC network are fully segregated. Denial of Service (DDOS) and Intrusion Prevention system (IPS) implemented on our internet gateways and robust patching and host based protection implemented on all NCC devices that attach to the network (This is a pre-requisite of PSN accreditation, and is an on-going task). A simulated phishing attack has been run (we are one of few Councils to have undertaken such an exercise) and results are being analysed. New client service security for Windows 10 has been successfully implemented and is being enforced as the new build rolls out.
- Actions to be completed
- 6) Replacement New Local Area Network (LAN) to be procured in March / April to reduce risk of network failure. (Change)
 - 7) New DR site work permissions approved, building work underway to make ready. Once building work complete the server, network and storage DR equipment will be moved into the identified site providing full failover facilities in the event of loss of County Hall. Still on Target to be complete complete by late Summer 2018.
 - 8) All core infrastructure services (DNS, AD, ADFS, NPS, AlwaysOn VPN) to be moved Q3 2018 to the new DR site;
 - Work started on the new Solaris EBS platform which by design is replicated to the Secondary site (go live Q4 2018);
 - Network layer resilience main concepts agreed, design work initiated. This will be enhanced by the LAN refresh (Q4 2018);
 - Works have started to reorganise/improve the site's Comms Room which will become ready as Secondary site Q3 2018;
 - 10) Replacement of contact centre system to a cloud based service taking longer than expected. Skype for business project being reset and replanned to improve resilience and reduce dependencies on onsite infrastructure.
 - 11) Work to complete recommendations from Cyber Security Audit is ongoing 5 out of 25 actions now complete with a target of December 2018, the work to retire Windows 2003 servers 26 remain 16 due to be complete by Jun 2018 leaving 10 including Oracle UCM, SMIS, call pilot which are all dependant on other projects but will be patched with security patches provided by the NHS, the recommendations from the Independent IT Health Check for PSN accreditation are 69% complete. We are working through the recommendation/actions from the phishing exercise and have completed 1 of the 12 we will complete all actions by October 2018.

Risk Number	RM011					Date of update		26 March 2018		
Risk Name	The potential risk of failure to implement and adhere to an effective and robust performance management framework.									
Risk Owner	Wendy Thomson					Date entered on risk register		02 September 2015		
Risk Description										
The failure of leadership to adhere to robust corporate performance practice / guidance, resulting in organisational / service performance issues not being identified and addressed. This could have a detrimental impact on future improvement plans and overall performance and reputation of the Council.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	12	3	4	12	1	3	3	Mar-19	Amber
Tasks to mitigate the risk										
A review of the tasks to mitigate and to reduce this risk was undertaken in April 2016 and the following actions for 2016/17 were identified:- 1) CLT/CLG implementing a new performance management framework to better align priorities, resources and managerial accountability for delivering results. This includes better linking of the new set of performance indicators (vital signs & organisational health measures) with senior manager individual performance appraisal ratings. To continue to implement a set of common leadership objectives (for the third year). 2) For CLT to regularly review the quality and robustness of our people performance management framework and ensure consistent adherence across NCC. To undertake a review and audit in August/September 17 against agreed criteria. To track appraisal completions for end of year appraisals - to ensure year on year improvements at the end of year appraisals - 2016 89% completion rates. 3) CLT to agree focus for further performance management skills development - following assessment of gaps. Particular focus agreed to be on Commerciality and Performance Coaching skills. 4) Failure to attract, recruit and retain key skills, specifically social workers. 5) Failure to create an engaged workforce who are prepared for changing organisation 6) Failure to manage our budgeted establishment data to support workforce planning, recruitment and management of workforce costs.										
Overall risk treatment: reduce.										
Progress update										

Progress update

Whilst progress has been made on implementing key actions the risk scores are assessed as remaining the same. It is essential that this work continues with managers to achieve a major shift in the day to day performance routines of all levels of managers. Set out below is progress in the last 12 months:

- 1) Performance framework in place and communication from MD delivered to confirm expectations for the end of year appraisals and common objectives. Vital signs reporting is in place with reviews at CLT and P&R.
- 2) It has been agreed that a review of performance appraisals will take place later in the year. The scope is being developed with stakeholders and will be reviewed with a view to sign off by the new Head of HR in September. Tracking is in place on performance appraisals for 2017.
- 3) An external managerial Assessment and Development of our Leadership population against four priority leadership criteria was completed between November and December. Managers were provided with individual feedback on their performance. CLT has considered the collective organisational feedback which has informed the directed development areas for this group. On-line resources will be launched in the Autumn and procurement is underway to source providers to support identified priority areas.

Risk Number	RM013					Date of update		26 March 2018		
Risk Name	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions.									
Risk Owner	Wendy Thomson					Date entered on risk register		02 September 2015		
Risk Description										
The failure of governance leading to controlled entities: Non Compliance with relevant laws (Companies Act or other) Incurring Significant Losses or losing asset value Taking reputational damage from service failures Being mis-aligned with the goals of the Council The financial implications are described in the Council's Annual Statement of Accounts 2016-17.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
1	4	4	1	4	4	1	4	4	Apr-19	Met
Tasks to mitigate the risk										
<p>1) All controlled entities and subsidiary companies have a system of governance which is the responsibility of their Board of Directors.</p> <p>The Council needs to ensure that it has given clear direction of it's policy, ambitions and expectations of the controlled entities.</p> <p>The NORSE Group objectives are for Business Growth and Diversification of business to spread risks. Risks need to be recorded on the Group's risk register.</p> <p>2) The NORSE board includes a Council Member and is currently chaired by the Executive Director of Communities and Environmental Services of the Council. There is a shareholder committee comprised of six Members. The shareholder committee should meet quarterly and monitor the performance of NORSE. A member of the shareholder board, the shareholder representative, should also attend the NORSE board.</p> <p>3) The Council holds control of the Group of Companies by way of its shareholding, restrictions in the NORSE articles of association and the voting rights of the Directors. The mission, vision and value statements of the individual NORSE companies should be reviewed regularly and included in the annual business plan approved by the Board. NORSE should have its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines the controls that the Council exercises over NORSE and the actions which require prior approval of the Council.</p> <p>4) To ensure that governance procedures are being discharged appropriately to Independence Matters.</p> <p>5) Approve the Outline Business Case for Repton Property Developments Ltd.</p> <p>6) Provide regular updates to the company Board and to the Business and Property Committee.</p> <p>Risk Treatment: Tolerate</p>										
Progress update										

Progress update

- 1) There are regular Board meetings, share holder meetings and reporting as required. For NORSE, risks are recorded on the NORSE group risk register. For Norfolk Energy Futures, Policy and Resources Committee agreed to liquidate Norfolk Energy Futures on 3rd July 2017, with the outcomes of this process to be reported to Policy and Resources Committee through financial monitoring. Work to liquidate the company is currently progressing.
- 2) The Norse Group follows the guidance issued by the Institute of Directors for Unlisted Companies where appropriate for a wholly owned local authority company. The shareholder committee meets quarterly and monitors the performance of Norse. A member of the shareholder board, the shareholder representative, also attends the Norse board.
- 3) The Council has reviewed its framework of controls to ensure it is meeting its Teckal requirements in terms of governance and control, and a series of actions has been agreed by the Policy and Resources Committee. The Executive Director of Finance and Commercial Services is responsible for reviewing the ongoing viability of wholly owned entities and regularly reporting the performance of their activities, with a view to ensuring that the County Council's interests are being protected.
All County Council subsidiary limited company Directors have been approved by full council. The new Chairman of Norse has initiated change with one Director looking after NCS and NPS, with a view to maximising returns back to NCC.
- 4) The Executive Director of Finance and Commercial Services directs external governance. An external company is undertaking a review of Norse Group's financial performance, discharging the Executive Director for Finance and Commercial Services' responsibility as per Constitution.
- 5) The Outline Business Case for Repton Property Developments Ltd has been approved.
- 6) Regular updates are being provided.

Risk Number	RM014a					Date of update		26 March 2018		
Risk Name	The amount spent on SEND home to school transport at significant variance to predicted best estimates									
Risk Owner	Chris Snudden					Date entered on risk register		04 November 2015		
Risk Description										
There is a risk that the amount spent on home to school transport is at significant variance (overspend) to predicted best estimates. Cause: Home to school transport being a demand led service. Event: The amount spent on home to school transport is at significant variance with the predicted best estimates. Effect: Significant overspend on home to school transport than has been estimated for. Rising transport costs, the nature of the demand-led service (particularly for students with special needs) and the complexities involved in sustaining reductions in the need for transport or the distance travelled could result in a continued overspend on the home to school transport budgets and costs not being reduced by the required amount.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	9	5	3	15	2	2	4	Dec-18	Amber
Tasks to mitigate the risk										
Continue to enforce education transport policy, and ensure joint working between SEN commissioners, placements and corporate transport teams to ensure transport costs are reduced where possible. Continually review the transport networks, to look for integration and efficiency opportunities. Work with Norse to reduce transport costs and ensure the fleet is used efficiently and effectively. Look for further, more innovative, ways to plan, procure and integrate transport.										
Overall risk treatment: reduce.										
Progress update										
Norfolk County Council have now progressed to the contract 'sign-up' stage with Hackney Community Transport to formally start the 'payment by results' initiative. The plan over the next 5 years, is for a cohort of 100 pupils per year to be targeted for this intensive work via Hackney Community Transport (HCT). There was a 'start up' meeting on 2 March between the Passenger Transport Unit, Education Inclusion Service, Special School Head teachers and HCT. First cohorts have been identified by special schools and HCT have been advised. Contract sign-off is imminent and implementation via HCT will progress through the current summer term. Impact and implementation effective from September 2017.										

Risk Number		RM014b				Date of update		26 March 2018		
Risk Name		The savings to be made on Adult Social Services transport are not achieved.								
Risk Owner		James Bullion				Date entered on risk register		04 November 2015		
Risk Description										
The risk that the budgeted savings of £1.7m to be delivered by 31 March 2020 will not be achieved.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	9	4	3	12	2	3	6	Mar-20	Green
Tasks to mitigate the risk										
<p>1) Whilst we have managed to achieve £0.487m of the budgeted savings by the end of 2016-17, as we were unable to achieve the savings in full, the savings have been reprofiled to future years (2017/18 and 2019/20). Following a further review a recommendation was then taken to Adult Social Care Committee in September 2017 to reduce the transport savings.</p> <p>2) A review of transport is also taking place.</p> <p>3) Transport Guidance has been updated in line with the revised transport policy</p> <p>4) Refurbishment of a site in Thetford to provide day services and respite care to prevent people from having to travel long distances.</p> <p>5) Under the Younger Adults of the Promoting Independence Workstream, we're developing a joint approach to disability and transition from Children's to Adults.</p> <p>6) Exploring the use of an application to help with monitoring of the cost of transport. This application is currently being used by Children with Special Educational Needs.</p>										
Progress update										
<p>1)Adult Social Care Committee agreed on 4 September 2017 to amend the transport savings to £0.700m in 2018-19 (from £3m) and £1m in 2019-20 (from £0.800m) and that the difference of £2.1m in savings will be made through the purchase of care budget as a result of changes to patterns of care. The department is currently forecasting an underspend on Transport for 2017-18 of approximately £0.700m - in effect the early delivery of the 2018-19 savings.</p> <p>2) Travel Independence Training Across the Nation (Titan) training is being rolled out. Have recruited to ASS specific posts to enable more people to use public transport.</p> <p>3) The revised Transport Guidance and Policy was agreed by ASC Committee on 6 March 2017 and shared with staff. This is being implemented for new service users now and for existing people at the point of review. This now links with the work on assessments and reviews as part of the Promoting Independence Programme. It appears that this is being embedded in working practices, given the forecast underspend on transport.</p> <p>4) The department has been advised that there is potentially scope for the development of the Elm Road site on a bigger scale. In light of this, the review of Learning Difficulties day services and the potential new opportunities this could lead to, the department is reviewing the Elm Road project.</p> <p>5) This is currently being developed.We have carried out the fieldwork to understand the current transition process from Children's services to Adult services. We have taken a joint approach and carried out 50 interviews with senior stakeholders from</p>										

Progress update

children's services, adult services and health, as well as meeting with transition workers, team managers and other key staff from children with disability teams, looked after care teams, leaving Care teams, Adult LD, Adult mental health and adult Physical disability team. We have also engaged with NSFT Youth Service for their views, and will be incorporating the views of young people who have been through transition. We also made a visit to the Transition service used by Essex Social Services team, and learning from this will be incorporated into the overall review. Transition review interviews will be completed by early October and then an overview of the findings will be drawn up to be shared as part of a Transition planning workshop in early November. The aim of this workshop is to look at the key findings and plan options going forward. The output of this phase will be to draw up a current state report and to identify options to explore what a new service might look like. The plan is to complete this report by the end of December.

6) First version of a Transport application for use by Adult Social Services and Travel and Transport developed by IMT where you can see for each day centre where people are travelling from, whether they are travelling alone/with others and which day services other people charged to that budget code are going to. It is based on an application IMT developed for Children with SEN. The application looks useful, and provides a clearer picture of transport provision than analysing pages of reports. The department is checking the viewer application and it will be trialled with Business Support initially.

Risk Number		RM016		Date of update		28 March 2018				
Risk Name		Failure to adequately embed Business Continuity into the organisation.								
Risk Owner		Tom McCabe		Date entered on risk register		10 December 2015				
Risk Description										
To ensure disruption is minimised and ensure that we are able to maintain services and respond appropriately to a either a Major or Moderate disruption both within and out of core office hours (N.B. this risk will be scored differently for different departments due to different levels of preparedness).										
Original			Current			Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	10	2	5	10	2	3	6	Oct-18	Green
Tasks to mitigate the risk					Progress update					
1) All corporately agreed critical activities must have comprehensive Business Continuity plans. Plans to be agreed at Senior Management meetings.					1) 85% 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 annual audit completed on 10% of plans has been completed and feedback given to relevant managers.					
2) That departments are represented at Resilience Management Board meetings, and fully engaged in delivering actions within the departments they represent.					2) Most departments are represented at meetings regularly. Further work is required on Supplier Continuity. Resilience and Procurement Managers have met to agree a plan of action to strengthen supplier continuity. This involves a checklist of BC standards to which key suppliers are required to adhere; prioritisation of key large or critical suppliers requiring BC plans; and incorporation of BC requirements into contract manager training. A departmental BC assurance document has now been completed for every department, feedback has been given to all departments, and departments are working on actions as a result					

Tasks to mitigate the risk	Progress update
<p>3) To develop the Professional Development Centre (PDC) Norwich, which was agreed as a key corporate Work Area Recovery (WAR) site by CLT. First stage is a planned exercise to take place with the Customer Service Centre, second step is to complete an exercise with the Resilience representatives at the PDC. Also, an exercise with the Resilience Management Board and CLT.</p>	<p>3) IMT have confirmed work is being completed which will mean the PDC would be operational in the event of loss of CH. A Business Continuity exercise was completed February 2018 - issues have been highlighted as a result of this exercise, but overall it was a success and also involved a live evacuation of the first floor at County Hall. Fact find exercise being planned for June. Details on how this will operate will be shared and discussed at the June Resilience Board meeting. IMT have agreed that a full failover test should be completed at the Disaster Recovery site which would mean the PDC would be operational in the event of a failure of ICT at CH. This is currently predicted to take place in September 2018.</p> <p>ICT have drafted a report showing levels of resilience and where there are gaps. The Resilience Team have reviewed this, and met with the CES Executive Director to highlight the need to progress the PDC project and associated work. IMT have now provided timescales for when ICT will be more resilient, and specifically a date for when additional exercises can take place at the PDC.</p>
<p>4) Complete a Business Impact Analysis every two years and review risks which could affect critical activities. Ensure ICT have incorporated the results of the BIA and the outcome of this work (ICT Continuity) is communicated to the business via the Resilience representatives. Robust ICT Continuity arrangements are required to ensure Business Continuity plans</p>	<p>4) The organisational BIA was completed with a fantastic response rate. 100% BIAs were returned and audited. Critical and non critical activities must now be agreed by departmental SMTs before they go to CLT. Once critical activities have been agreed, a risk workshop will be completed to consider risks to the critical activities. This will be completed in collaboration with the Risk Management Officer and the resilience representatives in all departments.</p>
<p>5) Embedding Business Continuity - Ensure there is a programme of work to embed BC into the organisation. This includes awareness raising initiatives and training for support staff and resilience representatives. Training also includes the BC e-learning package which needs to be reviewed, relaunched, and the uptake monitored. Departments must ensure staff attend training and complete exercises/tests.</p>	<p>5) New training courses were launched last year in both Emergency Planning and Business Continuity and have been well received. A link to these courses will be added to Learning hub.</p> <p>The annual survey is due in May this year. Last year 599 members of staff completed this and it is our hope that a similar number will complete it this year.</p> <p>The online BC e-learning is available. We are reviewing what alternatives we could use but further work on this has been placed on hold due to other priorities.</p> <p>Training and exercising is being completed across the organisation but a full programme of training and exercising needs to be developed.</p> <p>All plans must be exercised once/year. The target for the end of September is to achieve 50%.</p> <p>A Resilience debrief on the March 2018 severe weather will take place on 10th April 2018. Key learnings from this from the gold and silver group feedback (representing the organisation across the board) will be presented to the Resilience Board on 19th April 2018 by the Head of Resilience.</p> <p>A tactical / silver course is being developed for NCC staff.</p>

Tasks to mitigate the risk	Progress update
6) Implement the BC Framework	6) Every quarter the Resilience Management Board receive an update of where NCC are in implementing the BC Framework, there are no red items. This has been developed further by communicating the position of the departments using the assurance framework and those sections marked as red/amber (where applicable) should be linked to departmental risk registers. This will be due to be completed again once the BC survey results have been reviewed.
<p>7) Gain assurance that ICT could be recovered in line with timescales detailed within the BIAs.</p> <p>Overall Risk Treatment: Reduce</p>	<p>BIA results have been reviewed by ICT, however this work has been placed on hold by ICT awaiting infrastructure project development. Commitment has been gained from ICT on reviewing the BIA results from September 2017. What the Business has documented within the BIAs should be used to help shape IMT infrastructure projects.</p> <p>Following the organisational BC survey there was a large number of responses referring to ICT. A meeting took place with the Head of IMT to agree how this feedback can be followed up and built upon, papers have been circulated to the Head of IMT which include agreed actions. There are several new technologies being introduced such as the new telephony system, whilst they offer numerous benefits, Resilience have requested a briefing on any additional risks the new technologies may bring. For example for outlying buildings without generators, a loss of power may cause a complete loss of communications. This briefing has not been completed yet, and will be raised at the next meeting Resilience has with IMT.</p>

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

Progress update

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

Risk Number		RM019		Date of update		26 March 2018				
Risk Name		Failure to deliver a new fit for purpose social care system on time and to budget.								
Risk Owner		James Bullion		Date entered on risk register		24 February 2016				
Risk Description										
A new Social Care system is critical to the delivery and efficiency of Adults and Children's Social Services. This is a complex project and the risk is the ability to deliver on time along with the restriction on making any system changes to the existing system (Carefirst)										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	5	20	3	5	15	1	4	4	Jun-18	Green
Tasks to mitigate the risk										
1) Ensure effective governance is in place 2) Set up a project team to manage the project. 3) Determine go live dates for Adults Services, Children's Services, and Finance. 4) Deliver implementation of the new system 5) Complete User Acceptance and Data Migration Testing 6) Deliver change and training										
Progress update										
1a) Clear governance is in place. The Project Sponsors are Janice Dane (Adults), Debby McKechnie (Children's) and John Baldwin (Finance). This is overseen by a Programme Board including the Directors of Adults, Children's and Finance and Commercial Services . 1b) There are weekly Joint Leadership Advisory Group (JLAG) Lead sessions with the Project Sponsors and the Project Team; and regular updates to Adults Committee and to CLT. Two reports have also been presented recently to the Digital Innovation and Efficiency Committee. 2) A core Project Team has been up and running since January 2016 (with strong practitioner involvement). A network of champions has been established in Adult Social Services and Children's Services. 3) Adults and Finance successfully went live on 22 November 2017 and Children's and Finance are planned to go live in April 2018. 4) Adults and Finance Go Live - Considering the scale of the change that has happened, requiring some significant changes to behaviours in staff and managers, this process has been relatively smooth. Planning of Phase Two is ongoing, including Mobile App, Troubled Families (Children's), Health and Social Care integration and Citizens Portal 5) Children's and Finance -All four rounds of formal User Acceptance Testing for LCS (Liquidlogic Children's System) and EHM (Early Help Module) have now been successfully completed. At the first Go /No go decision point on the 16 January it was forecast that the implementation of the Children's and Finance LCS, EHM and ContrOCC systems would not be ready by the w/c 19 March 2018. The Programme Board agreed to use the alternative go live date w/c 30 April 2018. 6) E-learning for Children's is underway.										

Risk Number		RM021		Date of update		26 March 2018				
Risk Name		Failure of Estate Management								
Risk Owner		Simon George		Date entered on risk register		21 June 2016				
Risk Description										
There is a risk that the Council does not have a clear policy around estate management, is not acting in line with the expectations of a landlord, and does not have sound tenancy agreements in place.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	3	12	3	2	6	2	2	4	31/06/2018	Amber
Tasks to mitigate the risk										
1) County Farms Performance Review Meeting to be established and attended by officers. 2) Recommendations from the County Farms audit report to be implemented with progress to be noted at the County Farms Performance Review Meetings. 3) Follow-up audit to be established and reported to the January 2017 Audit Committee. 4) Reconstitute the County Farms Review Meeting. 5) Procure a new property data base for the management of the estate.										
Progress update										
1) There is a regular report to B&P committee – notably a detailed report of all lettings and leases for the calendar year 2017 in January 2018. 2) The lettings process for four farms is underway with the new, transparent system in place. No issues have been experienced to date. 3) Tenants will soon be balloted on their preferred method of ‘tenant representation’. 4) The major outstanding action is the replacement of the IT system, which is being considered within the context of the whole teams requirements.										

Risk Number	RM022		Date of update		26 March 2018					
Risk Name	Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff ('Brexit').									
Risk Owner	Wendy Thomson		Date entered on risk register		26 July 2016					
Risk Description										
There are important implications to the Council in four main areas: 1) The Council's EU funded programmes supporting the local economy. 2) The legal base – there are many EU laws that affect the day job of local councils. 3) Council services dependent on a migrant workforce – for example nationally, 7% of existing adult social care staff come from other EU nations 4) Place-based impact – there will be real and varied impacts and opportunities in our local economy. There is a risk that initially, implications for Norfolk County Council of the UK leaving the EU are not known or understood, causing uncertainty in Council business, planning, and service delivery. Uncertainty on both performance delivery and designation of the Council as Managing Authority following the EU referendum result could lead to an inability to draw down the funding required to manage the programme and have a significant reputation impact on the Council leading to an inability to submit payment claims to the EU. Cause: The EU Referendum held in June 2016, with the UK as a whole voting to leave the EU.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	3	12	3	3	9	2	3	6	Oct-18	Amber
Tasks to mitigate the risk										
1) Norfolk County Council should continue to monitor Brexit developments and developing responses to the four areas in which the council will be affected (EU funding, legal issues, workforce issues, place-based impact).										
2) We are members of the LGA Brexit Sounding Board and local authority officer network to keep abreast of local government thinking and influencing of post Brexit policy. We have jointly commissioned work with the LEP and Suffolk County Council to understand the business impact of Brexit within the New Anglia area.										
3) We have agreed the principals and framework for regional investment post Brexit to ensure the level of current funding is protected, including asking for funds to be devolved locally, so that the economic benefit of the funding is secured.										
4) Human Resources to support managers and staff who may be affected by this issue.										
5) Regular meetings are taking place with the Department for Communities and Local Government (DCLG) 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.										
Progress update										

Progress update

1) CLT agreed Vince Muspratt should continue to be the officer responsible and highlight any changes that would impact the council.

CLT received a presentation in October and agreed 3 strands of work in line with the LGA approach:

- a. Future of EU Funding
- b. Place-based impact
- c. Laws affecting councils

2) Government has now stated that existing funding programmes will continue until their original end date of 31 December 2020 (rather than 19 March 2019 as had been anticipated). DCLG has confirmed this applies to their programmes but we are awaiting DefRA confirmation. Payment mechanisms to manage this remain to be explored.

3) The Green Paper regarding the Shared Prosperity Fund has not yet been published and in the light of the announcement above, is not now expected for some time: we will work with New Anglia partners on a joint response and will report the proposals and our response to P&R report when it has been published. NCC is represented on the LGA national Brexit Sounding Board by Vince Muspratt, the Sounding Board will resume after publication of the Green Paper and in the interim we are in regular contact with the LGA and with other relevant bodies to monitor progress.

4) The Internal Project Board is aware of NCC liabilities; nplaw have drafted a Deed of Guarantee seeking written assurance from DCLG that they will meet our liabilities in order to close the Programme. DCLG 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.

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) Analysis being undertaken of migrant workforce in Norfolk to feed into LGA request for evidence. Data also being gathered on Norfolk businesses export markets.

Risk Number	RM023					Date of update		26 March 2018		
Risk Name	Failure to understand and act upon changes to demography, funding, and government policy, with particular regard to Adults Services.									
Risk Owner	James Bullion					Date entered on risk register		18 August 2017		
Risk Description										
There is a risk of failure to fully understand and act upon changes to demography, funding, and government policy. Cause: Changes to demography, funding, and government policy. Event: The Council fails to plan and adapt to change effectively for the future. Effect: Outcomes for Norfolk citizens may worsen.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
5	5	25	4	5	20	2	4	8	Mar-30	Amber
Tasks to mitigate the risk										
1) Implementation of Promoting Independence Strategy. This strategy is shaped by the Care Act with its call to action across public services to prevent, reduce and delay the demand for social care. The strategy aims to ensure that demand is understood and managed, and there is a sustainable model for the future. 2) As part of the strategy, a shift of spend towards targeted prevention, reablement services, enablement, and strengthened interim care. 3) Implementation of Better Care Fund plans which promote integration with the NHS and protect, sustain and improve the social care system. 4) A new set of NCC corporate priorities which aims to address longer-term demand management in Adults Services.										
Progress update										
1) Promoting Independence change programme established. First set of change activities prioritised and agreed; robust and extended (to 5 years) target demand model in place to model scenarios and set volume and saving targets. 2) Business cases for change prioritised to address key shifts which need to be made; underpinned by and aligned to commissioning and de-commissioning. Critical enabler is embedding strengths-based practice. 3a) Initial plans for investment of additional Better Care Fund monies discussed with Health and Wellbeing Board; clear alignment with Promoting Independence and STP expectations. Significant delays in publication of national guidance on BCF which has delayed production of a local two year BCF Plan. When finalised this will include an Integration Plan with objectives linked to STP. 3b) Performance management arrangements for the BCF to provide additional assurance and progress on shared BCF targets including reablement, and reductions in residential care. 4) Analysis of workload patterns across adults social services; agreement by Adults committee to invest in additional social work capacity and recruitment launched. Critical enabler is embedding strengths-based practice; innovation site began on 12th September 2017, with two further sites to be rolled out.										

Risk Number	RM024					Date of update		26 March 2018		
Risk Name	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction completed early 2023)									
Risk Owner	Tom McCabe					Date entered on risk register		05 December 2017		
Risk Description										
There is a risk that the 3RC project will not be delivered within budget and to the agreed timescales. Cause: delays during statutory processes, or procurement put timescales at risk and/or contractor prices increase project costs. Event: The 3RC is completed at a later date and/or greater cost than the agreed budget, placing additional pressure on the NCC contribution. Effect: Failure to construct and deliver the 3RC within budget would result in the shortfall having to be met from other sources. This would impact on other NCC programmes.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	12	3	4	12	2	3	6	Jan-23	Amber
Tasks to mitigate the risk										
The project was agreed by Full Council (December 2016) as a key priority infrastructure project to be delivered as soon as possible. Since then, March 2017, an outline business case has been submitted to DfT setting out project costs of £120m and a start of work in October 2020. 80% of this project cost has been confirmed by DfT, but this will be a fixed contribution with NCC taking any risk of increased costs. Mitigation measures are: 1) Project Board and associated governance to be further developed to ensure clear focus on monitoring cost and programme at monthly meetings. 2) NCC project team to include specialist cost and commercial resource (bought in to the project) to provide scrutiny throughout the scheme development and procurement processes. This will include independent audits and contract/legal advice on key contract risks as necessary. 3) Programme to be developed that shows sufficient details to enable overall timescales to be regularly monitored, challenged and corrected as necessary by the board. 4) Project controls and client team to be developed to ensure systems in place to deliver the project and to develop details to be prepared for any contractual issues to be robustly handled and monitored. 5) All opportunities to be explored through board meetings to reduce risk and programme duration.										
Overall risk treatment: Reduce, with a focus on maintaining or reducing project costs and timescales										
Progress update										

Progress update

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

- 1) Project board in place. Gateway review highlighted a need to assess and amend board attendance and this has been implemented.
- 2) Specialist cost and commercial consultants have been procured, working with Head of Procurement to secure these key roles. The first element of work for the cost consultant will be to review current forecasts and then continue to assess on a monthly basis, reporting to the board.
- 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.
- 4) Learning from the NDR and experience of the commercial specialist support will be utilised to develop contract details ahead of the formal commencement of the procurement process.
- 5) The project board will receive regular (monthly) updates on project risks, costs and timescales.

Risk management discussions and actions

Reflecting good risk management practice, there are some helpful prompts that can help scrutinise risk, and guide future actions. These are set out below.

Suggested prompts for risk management improvement discussion

In reviewing the risks that have met the exception reporting criteria and so included in this report, there are a number of risk management improvement questions that can be worked through to aid the discussion, as below:

1. Why are we not meeting our target risk score?
2. What is the impact of not meeting our target risk score?
3. What progress with risk mitigation is predicted?
4. How can progress with risk mitigation be improved?
5. When will progress be back on track?
6. What can we learn for the future?

In doing so, committee members are asked to consider the actions that have been identified by the risk owner and reviewer.

Risk Management improvement – suggested actions

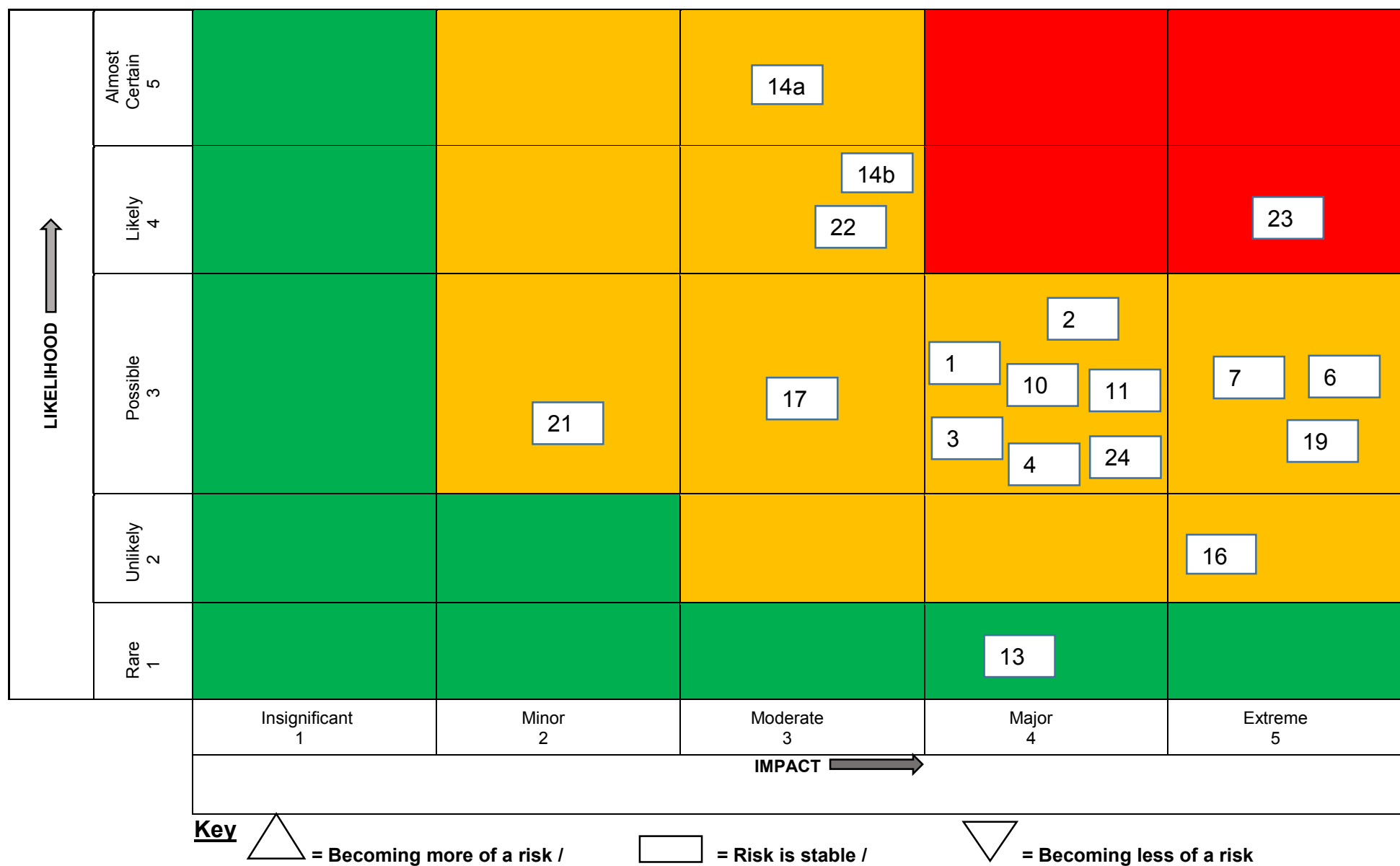
A standard list of suggested actions have been developed. This provides members with options for next steps where reported risk management scores or progress require follow-up and additional work.

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

Suggested follow-up actions

	Action	Description
1	Approve actions	Approve recommended actions identified in the exception reporting and set a date for reporting back to the committee
2	Identify alternative/additional actions	Identify alternative/additional actions to those recommended in the exception reporting and set a date for reporting back to the committee
3	Refer to Departmental Management Team	DMT to work through the risk management issues identified at the committee meeting and develop an action plan for improvement and report back to committee
4	Refer to committee task and finish group	Member-led task and finish group to work through the risk management issues identified at the committee meeting and develop an action plan for improvement and report back to committee
5	Refer to County Leadership Team	Identify key actions for risk management improvement and refer to CLT for action
6	Refer to Policy and Resources Committee	Identify key actions for risk management improvement that have whole Council 'Corporate risk' implications and refer them to the Policy and Resources committee for action.

Corporate Strategic Risks - Heat Map



No.	Risk description	No.	Risk Description
1	Infrastructure is not delivered at the required rate to support existing needs and the planned growth of Norfolk.	11	The potential risk of failure to implement and adhere to an effective and robust performance management framework.
2	The potential risk of failure to manage significant reductions in local and national income streams.	13	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions.
3	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practice relating to information compliance and information security.	14a	The amount spent on home to school transport at significant variance to predicted best estimates.
4	The potential risk of failure to deliver effective and robust contract management for commissioned services.	14b	The savings to be made on Adult Social Services transport are not achieved.
6	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2018/19 – 2020/21.	16	Failure to adequately embed Business Continuity into the organisation.
7	Potential risk of organisational failure due to data quality issues.	17	Failure to construct and deliver Norwich Northern Distributor Route (NDR) within agreed budget (£205m).
10	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.	19	Failure to deliver a new fit for purpose social care system on time and to budget.
		21	Failure of Estate Management.
		22	Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union which may impact on Council objectives, financial resilience and affected staff ('Brexit').
		23	Failure to understand and act upon changes to demography, funding, and government policy, with particular regard to Adults Services.
		24	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction completed early 2023).

Audit Committee

Item No.....

Report title:	Risk Management Annual Report 2017/18
Date of meeting:	19 April 2018
Responsible Chief Officer:	Executive Director of Finance and Commercial Services
Strategic impact	
<p>The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, as set out in its Terms of Reference, which is part of the Council's Constitution. There are Risk Management controls in place within the Council as per the Financial Regulations (part 4.3, of part 7.7) of the Council's Constitution.</p>	

Executive summary

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

The Audit Committee is recommended to:

Consider and comment on these key messages from the Annual Risk Management 2017/18 Report (Appendix A):

- The overall opinion on the effectiveness of Risk Management for 2017/18 is 'Acceptable' and therefore considered 'Sound' (part 3 of the report)
- The Risk Management Function complies with the Accounts and Audit (England) Regulations 2015 and recognised Public Sector Internal Audit standards.
- The Annual Governance Statement for 2017/18 will refer to this report and will be reported to this Committee in July 2018 for its approval.
- The Risk Management Policy has been refreshed, with a Risk Management Strategy currently being developed from this.

1. Proposal (or options)

- 1.1 The recommendation is covered in the Executive Summary above.

2. Evidence

- 2.1 The Chief Internal Auditor's Annual Risk Management report 2017/18 is presented at **Appendix A**.
- 2.2 The key messages are reported in the Executive Summary above.

3. Financial Implications

- 3.1 In 2017/18, the Risk Management Function has been delivered within the budget allocated for the year. There are no financial implications for the Risk Management Function for 2017/18.
- 3.2 Looking ahead to 2018/19, one of the four themes for development is Commerciality, looking at how the Risk Management Function could potentially increase its commerciality to generate income for the County Council. This is referenced at part 6.2 of the report in Appendix A.

4. Issues, risks and innovation

- 4.1 Looking ahead to 2018/19, there are four themes for development as part of business as usual. These are;
- Strategy into Action / Accountability
 - Commerciality / Business like
 - Data Analytics / Evidence Based
 - Collaboration / Influencing

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

- 4.2 There are no implications with respect to:
- Other resource implications (staff, property)
 - Legal implications
 - Equality
 - Human rights implications
 - Environmental implications
 - Health and safety issues.

5. Background

- 5.1 This report has been completed with input from the Risk Management Officer.

6. Officer Contact

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

Officer Name: Adrian Thompson - Chief Internal Auditor

Telephone Number: 01603 222784

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

Officer Name: Thomas Osborne – Risk Management Officer

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**Risk Management Annual Report
2017-18
Norfolk Audit Services**



**Norfolk Audit Services
Annual Risk Management Report 2017-18**

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1	Introduction
2	The Council's Priorities
3	Key Messages and Risk Management Opinion
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5	Developments of the Risk Management Function in 2017/18
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**Norfolk Audit Services
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1. Introduction

1.1 In line with Internal Audit standards, the mission of the corporate risk management function is to, 'enhance and protect organisational value by providing objective risk management assurance, advice and insight'. The function has worked to:

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

1.2 This annual Risk Management report helps the Audit Committee to assess the performance of Risk Management and informs the Managing Director, Executive Directors, clients and staff of how we add value through the Risk Management function. This report also supports the Council's Annual Governance Statement 2017/18 with an assurance on the Council's arrangements for the management of risk. The report brings together and adds to, the quarterly Risk Management reports to the Audit Committee and includes:

- An acceptable opinion - (see part 3)
- Key Messages (see part 3)
- Our outputs - the work we carried out, performance and the difference we made in 2017-18 (see part 4)
- Developments in the Service in 2017/18 (see part 5) and planned development areas for 2018/19 (see part 6)
- Other relevant information (see part 7).

2 The Council's Ambitions

The Council's approach is guided by four key principles:

- Reducing demand for specialist services through prevention and early intervention
- Integrating services so similar activities and functions are joined up around the customer and done once
- Cost effective delivery, through a business-like approach and modern use of technology

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- Sharp focus on impact – targeting the right interventions where they can have the most impact and do the most good

These principles frame the transformation that we must lead across all our services and activities. The [Norfolk County Council Strategy 2018-21](#) is the vehicle for putting the principles into practice and making transformation happen. The Council has also identified 7 priorities to bring focus and energy to this phase of transformation – under the banner of ‘**Norfolk Futures**’. These priorities are:

- Safe children and resilient families
- Promoting independence for vulnerable adults
- Local service strategy
- Smarter information and advice
- Towards a Norfolk housing strategy
- Digital Norfolk
- Commercialisation

- 2.2 The Risk Management Function’s work has understood (1.1) and contributed to the Council’s ambitions during 2017/18, through managing the corporate risks to achieving the Council’s vision and objectives, the Risk Management Function has ensured that the ambitions above are supported. Threats to realising the areas of work that contribute to achieving these ambitions are documented in the corporate risk register, and are regularly managed, and reported quarterly at Committee level. Mitigations to manage these risks and reporting of progress with these are owned by the risk owners and managed by the risk reviewers, and independently scrutinised by the Risk Management Officer. This fulfils the Risk Management role in the assurance regime (1.1)

3 Key Messages and Risk Management Opinion

- 3.1 The key messages from the Risk Management work in 2017/18 are:

- The Council’s system of Risk Management during 2017/18 was sound, adequate, and effective in accordance with the requirements of the Accounts and Audit (England) Regulations 2015. These requirements state that “a relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk”.

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- The Risk Management Function has been a catalyst for improvement of risk management, added value, forward looking (1.1) and has operated within the approved budget for 2017/18.
- The Annual Governance Statement for 2017/18 will make reference to this report and will be reported to this Committee in July 2018 for its approval.
- 'Sound' is taken to mean that adequate governance, reporting, and assurance structures are in place to manage the risks to the Council's objectives. This has been determined from the results of the Benchmarking Club, looking at evidence based performance results against other councils.

4 Our Outputs – Risk Management Work

- 4.1 The Risk Management Function has delivered quarterly Risk Management reports for Committees in 2017/18, covering corporate risks, reported and presented to both the Audit, and Policy and Resources Committees.
- 4.2 Risk Management reporting has been developed, further standardising the structure of Risk Management reports.
- 4.3 The Risk Management Policy has been revised and signed off by both the Audit Committee and Policy & Resources Committee during 2017/18. Accompanying Risk Management Procedures have also been implemented and are now available to view and refer to on the Risk Management Intranet page under Documents, Forms, and Guidance.
- 4.4 Strategy into Action / Accountability: A new Risk Management strategy is currently under development, with the target of finalising and publishing in the first quarter of 2018/19. The strategy will detail how the Risk Management Policy will be implemented, and how the objectives of the Risk Management Function will be achieved going forward.
- 4.5 The Risk Management Officer joined the Association of Local Authority Risk Managers (ALARM) Risk Management Focus Group in December 2017, with active participation at national meetings in helping to coordinate ALARM Risk Management strategy and events.

5 Outcomes

- 5.1 **Case Study 1: Reporting on the corporate risk relating to the construction of the Broadland Northway (NDR) on time and to budget.**
 - 5.1.1 The quarterly reporting on the corporate risk relating to the construction of the Broadland Northway (NDR) road to time and budget has added value by ensuring that key stakeholders are sighted on the progress made in managing the risk, and its score. This has added value by informing Members at the relevant Committees (this Committee, as well as the Policy and Resources Committee and the Environment, Development and Transport Committee) where the risk is reported,

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at the appropriate time. The NDR working group was set up from a discussion at the June 2017 EDT Committee, where the NDR risk score and progress against mitigation tasks were reported and discussed.

5.2 Case Study 2: Reporting on the departmental risk relating to single points of knowledge within Trading Standards.

- 5.2.1 The reporting of the risk relating to single points of knowledge within the Trading Standards team has added value, by acting as one of the drivers for change and accountability within the team. The risk of not having appropriately qualified alternative staff available in the event of staff absence to deal with a major trading standards incident was identified in October 2015. Since then, this risk has been managed and reported to the Community and Environmental Services departmental management team monthly, and reported quarterly to the Communities Committee. We now have 100% of the appropriately qualified and competent staff to deliver the Control Strategy in 12 of 14 areas. The Fair Trading Criminal team is now up to 94% appropriately qualified, and the appropriate number of qualified and competent officers in the intelligence handling team is also up to 97%. Reporting this risk by exception on a quarterly basis to the Communities Committee has added value by keeping up focus on the risk, and ensure that progress against this risk is communicated to Members through the Risk Management report. With the risk minimised, and the risk target score met, it is anticipated that this risk will now be closed.

6 Developments of the Risk Management Function in 2017/18

- 6.1 Risk Management reporting has been further developed in 2017/18 through increased active scrutiny of risks. Corporate risks continue to be linked to the Council's Audit Plan, with further scrutiny planned for corporate risks where no internal audit had been identified and carried out for the risk area. Throughout 2017/18, the Risk Management Officer met with risk reviewers whose risks were not linked to an upcoming internal audit, allowing further scrutiny of how the risks are being managed.
- 6.2 The Risk Management Officer has advised risk coordinators and risk owners / reviewers on the revised Risk Management Policy and procedures that were signed off in the last financial year, and where improvements to reporting their risks can be made. The Risk Management Officer has communicated these revised documents to all staff via a communication in the Norfolk Manager online bulletin.
- 6.3 The Risk Management Function has strengthened its' working relationship with risk coordinators in each of the Council's departments, with closer communication and more streamlined reporting of Risk Management to Committees, and has further strengthened working relationships with the senior management teams across the Council through attendance at more Senior Management Team meetings by the Risk Management Officer.
- 6.4 The commerciality theme was initiated during 2017/18, with a meeting between the Risk Management Function and key stakeholders from Internal Audit teams across Norfolk's District and Borough Councils in November 2017.

7 Developments of the Risk Management Function for 2018/19

7.1 For 2018/19, there are four themes for development across the Council. These are;

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

7.2 In terms of the Risk Management Function, the following areas have been identified for development.

7.2.1 Strategy into Action/Accountability: In 2018/19 the Risk Management Strategy 2018-2020 will be completed.

7.2.2 Commerciality / Business Like: In 2018/19, the commerciality of the Risk Management Function will be further assessed to see how a more commercial approach could be developed. Details of the areas for development will be presented in the Risk Management Strategy, as mentioned in 5.4, and will include promoting a Risk Management traded service, to test the demand for Norfolk County Council providing assistance to other risk management functions.

7.2.3 Collaboration / Influencing: In 2018/19, the Risk Management Function will aim to develop further collaboration with other functions (i.e. Performance, and Finance) to ensure that the Council's four main corporate objectives continue to be met. Through active involvement in the national ALARM Risk Management network of Local Authority Risk Managers, the Risk Management Function will develop its' role and influence in this network, through its collaboration with other Local Authorities' Risk Management counterparts. The Risk Management Officer is a Member of the ALARM network, and will continue to attend regional and national events on behalf of the Risk Management Function of Norfolk County Council.

7.2.4 Data Analytics / Evidence Based: For the coming financial year, the Risk Management Function will consider the feasibility of undertaking the 2018/19 Benchmarking Club Exercise. This was last carried out in 2016/17 and led to areas of improvement being identified and actioned upon.

7.2.5 To further develop these areas, the Risk Management Function, through the Risk Management Officer, will continue to engage further with senior management risk owners to further ensure they are owning and leading on mitigating their risks, and that they understand the refreshed Policy and procedures, and are engaged in the new Risk Management Strategy that will be delivered.

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8 Further information

- 8.1 The Risk Management Officer is currently undertaking a further Risk Management qualification (the International Certificate in Enterprise Risk Management) through the Institute of Risk Management.
- 8.2 This Risk Management annual report will be referenced in the Council's Annual Governance Statement, which will be reported to this Committee in July 2018.

9 Acknowledgements

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

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Audit Committee

Item No.....

Report title:	Internal Audit Terms of Reference and Code of Ethics (incorporating the Interreg VA France Channel England Programme Audit Authority)
Date of meeting:	19 April 2018
Responsible Chief Officer:	Executive Director of Finance and Commercial Services
<p>Strategic impact</p> <p>The Audit Committee provide proactive leadership and direction on audit governance and risk management issues, in accordance with their terms of reference which are part of the Council's Constitution, part 4.1 (4.4) (page 13) being:</p> <p>B. INTERNAL AUDIT AND INTERNAL CONTROL</p> <p>1. With Chief Officers, to provide proactive leadership and direction on audit governance issues and champion audit and internal control throughout the Council.</p> <p>C. RISK MANAGEMENT</p> <p>5. Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.</p> <p>The Accounts and Audit Regulations 2015 require that, from April 1 2015, the Council must ensure that it has a sound system of internal control that meets the relevant standards.</p> <p>On 26 January 2016, Norfolk Audit Services was formally designated by DCLG to deliver the Audit Authority (AA) function for the Interreg VA France Channel England Programme over the lifetime of the programme, building on Council approval from 10 June 2013 to bid for this contract.</p>	

Executive summary

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

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

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

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

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

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

The current Internal Audit Code of Ethics appears at **Appendix B** and is applicable to all staff employed by the internal team, whether they are deployed on internal audit activities or EU audit activities. This continues to be based on best practice, the CIPFA publication “Code of Ethics for Professional Accountants” (2011) which is compatible with the UK PSIAS. This current review of the internal Audit Code of Ethics has incorporated elements of the Nolan Principles (underlined) where they are additional to the 5 principles referred to above.

Recommendation:

The Audit Committee is recommended to:

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

1. Proposal (or options)

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

2. Evidence

- 2.1 The proposed Terms of Reference and Code of Ethics are presented at **Appendix A** and **Appendix B**.

3. Financial Implications

- 3.1. The expenditure in relation to the internal audit function falls within the parameters of the Annual Budget agreed by the Council.
- 3.2. Expenditure incurred in the delivery of the FCE Audit function is recoverable from the European Commission under the terms of the Technical Assistance budget, provided the expenditure is in line with EU eligibility rules and satisfactory evidence of compliance has been retained.

4. Issues, risks and innovation

4.1. Risk implications

- 4.2. These documents underpin the operational performance of Norfolk Audit Services and hence significant changes to these documents would impact on the delivery of the audit service and may put at risk the good reputation of the service. The External Auditor places reliance on the work of internal audit which helps to lower their fees to the Council.
- 4.3. The British and French Member States and the European Commission will place reliance on the work of the FCE audit team, which will enable the programme to function. Any issue raised with regards to the quality of the work produced by the Audit Authority or the adequacy of the audit strategy in place may result in programme interruptions and/ or suspension of payments from the European Commission.

4.4. Environmental implications

- 4.5. The newly increased scope of the audit function has a direct impact on the geographical territory to be covered by its activities, with audit activities planned over the whole FCE territory and training and strategical coordination meeting taking place throughout the EU territory. EU Regulations are prescriptive in terms of their requirements for site visits and limited scope for remote auditing. There will therefore be a significant increase in transport incurred by staff. This will be mitigated through maximising the use of public transport.
- 4.6. There are no implications with respect to:
- Legal
 - Equality
 - Human Rights
 - Health and Safety.

5. Background

- 5.1. The Internal Audit Terms of Reference and Code of Ethics were last approved at the June 2017 Audit Committee meeting.
- 5.2. Under section 17 of the Crime and Disorder Act 1998, the Council has a statutory general duty to take account of the crime and disorder implications of all of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.
- 5.3. Internal Audit helps with this by aiming to deter crime, to increase the likelihood of detection through making crime difficult, to increase the risk of detection and prosecution and to reduce the rewards from crime.
- 5.4. Internal Audit's Terms of Reference and Code of Ethics have been drafted in order to cover higher risk areas, including where weaknesses in controls might increase the risk of theft, fraud or corruption. An action plan is agreed for any weaknesses that are identified during audits, including any which might increase the risk of theft, fraud or corruption. Consideration has been given to the present economic conditions and the Anti-Fraud and Corruption plan and resources are considered adequate.

5.5. **Background papers**

There were no background papers relevant to this report.

Officer Contact

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

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



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TERMS OF REFERENCE

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3. Independence and Accountabilities
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8. Fraud and Corruption
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PART I : NORFOLK COUNTY COUNCIL INTERNAL AUDIT – TERMS OF REFERENCE

1 RESPONSIBILITIES, CORE PRINCIPLES, OBJECTIVES AND SCOPE

- 1.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.2 The Core Principles for the Professional Practice of Internal Auditing, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively. The Core Principles, as demonstrated throughout this terms of reference, are:
- demonstrates integrity
 - demonstrates competence and due professional care
 - is objective and free from undue influence (independent)
 - aligns with the strategies, objectives, and risks of the organisation
 - is appropriately positioned and adequately resourced
 - demonstrates quality and continuous improvement
 - communicates effectively
 - provides risk-based assurance
 - is insightful, proactive and future-focused
 - promotes organisational improvement.
- 1.3 The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
- 1.4 In meeting its responsibilities, Internal Audit activities are conducted in accordance with the County Council Strategy and 'Norfolk Futures' priorities and established policies and procedures. In addition, Internal Auditors shall comply with the Code of Ethics and the Public Sector Internal Audit Standards and other such codes of professional bodies of which internal auditors are members, such as CIPFA and the Chartered Institute of Internal Auditors.
- 1.5 The scope for Internal Audit is 'the control environment comprising risk management, control and governance'. This means that the scope of Internal Audit includes all of the Council's operations, resources,

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

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

2 REPORTING LINES AND RELATIONSHIPS

- 2.1 Internal Audit forms part of the Finance and Commercial Services Directorate. The Chief Internal Auditor reports directly to the Section 151 Officer (Executive Director of Finance and Commercial Services), who in turn reports to the Managing Director.
- 2.2 The Council has an Audit Committee and the Chief Internal Auditor reports to the Audit Committee on a quarterly and annual basis, through the Executive Director of Finance and Commercial Services. The Chief Internal Auditor's Annual Report includes an 'opinion' on the adequacy and effectiveness of risk management, governance arrangements and internal control within the authority.
- 2.3 The Audit Committee is responsible for endorsing the Annual Internal Audit Plan. The quarterly and annual reports from the Chief Internal Auditor show progress against the plan through a summary of audit work over the period. Quality feedback from questionnaires received from clients following audits is also presented to the Audit Committee.
- 2.4 The Audit Committee is responsible for ensuring Internal Audit are independent of the activities it audits, is effective, has sufficient experience and resources and that the scope of audit work to be carried out is appropriate.
- 2.5 The Audit Committee Chairman meets separately and privately with the Chief Internal Auditor and with the Council's External Auditor from time to time.
- 2.6 Internal Audit co-ordinate their work with that of the external auditors and assist the external auditors as required to ensure that appropriate reliance can be placed on Internal Audit's activities; Internal Audit may also place reliance upon the work of the external auditors, or external inspection bodies such as Ofsted.

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

3 INDEPENDENCE AND ACCOUNTABILITY

- 3.1 Internal Audit is independent of the activities that it audits which enables the auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and unbiased recommendations.
- 3.2. Independence and objectivity will be preserved by ensuring that all members of staff are free from any conflicts of interest and do not undertake any duties that they could later be called upon to audit, including where members of staff have been involved in, for example working groups, consultancy etc. Internal auditors will also refrain from assessing specific operations for which they were previously responsible, within the previous two years.
- 3.3 Internal Audit determines its priorities based on an evaluation of risk in consultation with the Audit Committee. The Chief Internal Auditor has continual direct access to Council records, officers and reports and the ability to report independently and impartially if required. Accountability for the response to the advice and recommendations of Internal Audit lies with Chief Officers and Heads of Service, who either accept and implement the advice or choose another course of action on a risk assessed basis.
- 3.4 Internal auditors have no operational responsibilities, except for the Chief Internal Auditor who manages Corporate Risk Management, the Council's Whistleblowing Policy and is the Head of the FCE Audit Authority. These functions are overseen independently and will be subject to independent assurance reporting.

4 STATUTORY ROLE

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

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

(Part 2 section 6) A relevant authority must, each financial year conduct a review of the effectiveness of the system of internal control required by regulation 3; and prepare an annual governance statement. If the

relevant authority is a Category 1 authority (which NCC is), then following the review, it must consider the findings of the review by a committee; or by members of the authority meeting as a whole; and approve the annual governance statement by resolution of a committee; or members of the authority meeting as a whole.

- 4.2 The statutory role is recognised and endorsed within the Council's Financial Regulations (Section C, Risk Management and Control of Resources), which provide the authority for Internal Audit's access to officers, members, premises, assets, documents and records and to require information and explanation as necessary. These rights of access also extend to partner organisations.
- 4.3 Internal Audit's remit extends to the entire control environment of the Council. The Chief Internal Auditor will provide an annual audit opinion as to the adequacy of the Council's internal controls and risk management processes. This opinion is driven by individual audit opinions from each internal audit engagement, as agreed within the annual audit plan, and informs the Council's Annual Governance Statement. Likewise any findings or concerns raised in the Annual Governance statement will be reflected in audit plans and coverage.

5 Consultancy or advisory reviews

- 5.1 In addition to formal audit work, Internal Audit perform consultancy or advisory reviews as part of the annual internal audit plan, or on an ad hoc basis when requested by management. All such advisory work will be clearly identified in the internal audit plan. Where a significant consultancy or advisory service is required, either within or external to the Council, approval will be sought from the Audit Committee. Reports from this type of work contain findings, audit views and recommendations and whilst no formal opinion is given, this work does inform the Chief Internal Auditor's overall opinion on the adequacy and effectiveness of internal controls.
- 5.2 Assurance Services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system, or other subject matter. The nature and scope of the assurance engagement are determined by the internal auditor. Internal audit is sometimes requested to undertake internal audit and assurance activity for third parties. These include internal audit services, grant certification and financial accounts sign off. The same principles detailed in this charter and our operational procedures will be applied to these engagements. In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement. Internal auditors will address controls consistent with the engagements objectives and be alert to significant control issue.

6 INTERNAL AUDIT STANDARDS

- 6.1 There is a statutory requirement for Internal Audit to work in accordance with 'proper audit practices'. These 'proper audit practices' are in effect 'the Standards' for local authority internal audit.
- 6.2 CIPFA and the IIA have published the UK Public Sector Internal Audit Standard (updated October 2016, effective January 2017). The mandatory elements include: the definition of Internal Auditing; the Core Principles, the Code of Ethics and the International Standards for the Professional Practice of internal Auditing. CIPFA has also published in consultation with the IIA a Local Government Application Note with respect to the Standards. Our Internal Audit Terms of Reference, Code of Ethics are compliant with the Standard and Guidance.

7 INTERNAL AUDIT RESOURCES

- 7.1 The Chief Internal Auditor has ensured that the resources of the Internal Audit Section are sufficient to meet its responsibilities and achieve its objectives. If a situation arises whereby the Chief Internal Auditor concludes that resources are insufficient, he must formally report this to the Section 151 Officer. The Chief Internal Auditor reports on the adequacy of resources on an annual basis.
- 7.2 The Chief Internal Auditor has been responsible for appointing the staff of the Internal Audit Section and has ensured that appointments have been made to achieve the appropriate mix of qualifications, experience and skills. In addition to this, the Chief Internal Auditor maintains a 'mixed economy' delivery model by having a call of arrangement with a contractor (by competitive tender) to supplement the resource and skills of the in house team. This provides flexibility and resilience in delivering aspects of the plan to ensure best expertise and value for money.
- 7.3 Internal Audit is appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the Standards. Internal Auditors are properly trained to fulfil their responsibilities and maintain their professional competence through appropriate development programmes.
- 7.4 Where skills do not exist within the team, the Chief Internal Auditor buys in resources from external sources to provide an adequate, effective and professional service, for instance with respect to ICT technical audits.
- 7.5 If Internal Audit staff are appointed from operational roles elsewhere in the Authority, they do not undertake an audit in that operational area

during the first year of their appointment, except by prior agreement between the Chief Internal Auditor and the relevant Head of Service.

8 FRAUD AND CORRUPTION

- 8.1 The Anti Fraud and Corruption Strategy was last reviewed in Spring 2017 and was presented for endorsement by the Audit Committee at the September 2017 meeting. The Strategy sets out the responsibilities of the various parties. These include, amongst other things, that the promotion of and revision to the Strategy lies with the Monitoring Officer (Chief Legal Officer), advised by the Chief Internal Auditor. Managing the risk of fraud and corruption is the responsibility of Chief Officers; Internal Audit does not have responsibility for the prevention or detection of fraud and corruption. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Internal Audit may be requested by management to assist with fraud related work. An investigative Auditor has this designated responsibility within the team, supported on an ad-hoc basis by other members of the team. A training programme to develop fraud investigatory skills within the team is included within the development plans.
- 8.2 The Chief Internal Auditor advises Chief Officers on fraud and corruption issues.
- 8.3 The Chief Internal Auditor has made arrangements to be informed of all suspected or detected fraud, corruption or improprieties so that he can determine if an investigation needs to take place, consider the adequacy of the relevant controls, and evaluate the implications for the opinion on the internal control environment.

9 REPORTING ON INDIVIDUAL AUDIT ASSIGNMENTS

- 9.1 A written report is prepared for every internal audit in accordance with the appropriate standards. The report is agreed with the Principal Client Manager before being issued to the responsible Senior Officer, or Executive Director of Service. The reports include an 'opinion' on the adequacy and effectiveness of risk management, governance arrangements and the internal controls in the area that has been audited.
- 9.2 Internal Audit make practical recommendations based on the findings of the work and discuss these with management to establish an appropriate action plan.
- 9.3 The responsible Senior Officer or Executive Director of Service is asked to respond to the report's recommendations within an agreed timescale. The response must show what actions have been taken or are planned in relation to each recommendation. If a recommendation

is not accepted by the manager, this is also stated. The Chief Internal Auditor assesses whether the managers response is adequate. If the Chief Internal Auditor concludes that management has accepted a level of risk that is unacceptable, the Chief Internal Auditor will discuss the matter with Senior Management and escalate to the County Leadership Team (as necessary) and to the Audit Committee.

- 9.4 Any findings given a high priority that are deemed corporately significant (based on the agreed criteria) are monitored and reported in a separate High Priority Findings (HPF) report. Management assurance is obtained to ensure the agreed actions have taken place and updates about the progress of dealing with high priority findings are reported to County Leadership Team quarterly. If actions have not been implemented satisfactorily by the agreed dates, the Chief Internal Auditor will make a risk based assessment to determine what further follow-up audit and subsequent reporting to County Leadership Team is required.
- 9.5 Any reports that, in consultation with Chief Officers, are judged to be “Corporately Significant” based upon agreed criteria are reported to the Audit Committee. These reports are subject to a full follow up audit.
- 9.6 The Chairman can request a sample of audit reports to review periodically.

10 Review of the Effectiveness of the Systems of Internal Audit

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

11. Quality Assurance and Improvement Programme

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

effectiveness of the internal audit activity and identified opportunities for improvement.

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

12 RELATED DOCUMENTS

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

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

13 DEFINITIONS

In terms of the PSIAS and the LGAN:-

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

Senior Board – functions are exercised by the Audit Committee

Senior Management – functions are exercised by the County Leadership Team

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

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

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

1. Primary Role

- 1.1. European Union regulations require that Member States must have in place a designated Audit Authority for all European Structural & Investment Funds. Norfolk Audit Services is the designated Audit Authority ('the Authority') for the Interreg V France (Channel) England programme. Interreg programmes are a specific type of European Structural & Investment Fund, falling under the European Regional Development Fund (ERDF) and more specifically the European Territorial Cooperation (ETC) programme.
- 1.2. Norfolk Audit Services was also designated Independent Audit Body for the purpose of the designation of the other programming bodies. The work of Norfolk Audit Services as Independent Audit Body is now completed.
- 1.3. The Authority's primary role is:
 - To seek to provide assurance to the programme national authorities¹ and the European Commission that the FCE programme is delivered in compliance with the regulatory requirements of the European Union in relation to the delivery of ETC programmes and with national regulatory requirements.
- 1.4. In the course of its work, the Authority is required to audit
 - (i) operations co-funded by the FCE programme and
 - (ii) the management and control systems set up in the Certifying Authority (Norfolk County Council – Finance) and the Managing Authorities (Norfolk County Council – Economic Development).
- 1.5. In order to provide good quality, fair and balanced reports, the Authority performs audits in accordance with applicable EU regulations and in accordance with internationally accepted auditing standards, as specified in the FCE Audit Strategy.

2. Authority

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

- 2.1. The Authority derives its authority from formal designation by the then Department for Communities and Local Government (DCLG) now HCLG. Formal confirmation has been received from both Member States that Norfolk Audit Services will have authority to carry out directly the functions of the Audit Authority in the whole of the territory covered by the cooperation programme. Modality for Member State representatives to accompany FCE auditors on audit missions² were established as part of the Rules of Procedure agreed by the Consultative Audit Group on 20 April 2016.
- 2.2. The Department for Housing, Communities and Local Government (HCLG) is responsible for ensuring that the Audit Authority is and remains fit for purpose, ie that it maintains its functional independence from the Managing Authority, Certifying Authority and project beneficiaries, is effective and has sufficient experience and resources.
- 2.3. In performing its activities, the Authority will have access to all people, records, information, systems and property deemed necessary, within the programming authorities and with each and every partner involved in the delivery of the cooperation programme. The Authority has been granted “read-only” access to the data and information held by the Managing Authority both in its information system and held on shared servers. The same access is in place with regards to the Certifying Authority data held on information systems. An agreement is in place that data held outside of shared information systems will be made available upon request.
- 2.4. All information requests should be dealt with promptly and truthfully by other parties. Should there be any perceived attempt to hinder the performance of the Authority’s duties, this would be communicated to:
 - The Managing Authority, where information has been requested from a project partner
 - The internal FCE programme board³ in a first instance, with escalation to the Department for Housing, Communities and Local Government and the Government Internal Audit Agency (in their capacity as British National Authorities for the MA and AA respectively), where information has been requested from a programming authority.

3. Independence and objectivity

- 3.1. To ensure its independence, the authority functions under the direct responsibility of the Council’s Section 151 Officer (Executive

² It is a provision within the Common Provision Regulations that the Member States may request for their representatives to be present during audit missions on their own territory.

³ The NCC internal FCE programme board is composed of Chief Officers and provide internal governance for the delivery of the MA, CA and AA functions.

Director for Finance and Commercial Services) with oversight from the Audit Committee. The Audit Authority is functionally independent from the Managing Authority (Norfolk County Council – Economic Development), the Certifying Authority (Norfolk County Council – Budgeting and Accounting within Finance) and the Beneficiary Bodies involved in any FCE co-financed operations.

- 3.2. Although the Audit Authority will feed into Norfolk County Council's internal governance arrangements through the provision of progress and performance update, the Audit Authority will in effect be accountable to the FCE National Authorities, via the Audit Consultative Group, and to the European Commission.
- 3.3. The Authority is therefore functionally independent of the activities that it audits. Moreover, it has sole responsibility for the planning and selection of expenditure/operations to be audited and the manner in which the audits are conducted.
- 3.4. Upon request of a national authority, the Authority's staff may be accompanied by an auditor from the national authority. An expectation of independence will also be placed on that member of staff.
- 3.5. The Authority may, if deemed appropriate by the Chief Internal Auditor and the Audit Committee, or if requested by management, advise on financial control and audit issues or review systems under development without prejudicing its right to subsequently audit such systems.
- 3.6. All members of staff working for the Authority have a duty to abide by the Internal and Interreg FCE Audit Code of Ethics (Appendix B). The requirement for professional independence underpins the first two pillars of the internal code, namely integrity and objectivity. Staff are expected to complete annual declaration of interest, in order to detect and manage any potential conflict of interest with auditees.

4. Responsibilities

- 4.1. The specific role and responsibilities of the Authority are determined by European Union Regulations and Guidelines for the Structural Funds. The key roles may be summarised as follows:
 - Produce a report for the benefit of the then DCLG, including an opinion on the management and control systems set up by the Managing and Certifying Authorities, based on the descriptions provided, which will form the basis of their formal designation as programme authorities. This work must be undertaken prior to any claim for interim payment from the European Commission being submitted.

- Prepare, and update as necessary, an audit strategy in consultation with the National Authorities representatives on the Consultative Audit Group. The audit strategy will be submitted to the European Commission, upon request (in line with Article 127 (4) of EU Regulations 1303/2013).
- Prepare and deliver an annual audit plan, as discussed with National Authorities representatives on the Consultative Audit Group. Ensure the audit plan enables compliance with requirements as stated in EU regulation and complimentary guidance.
- Submit to the Commission an annual control report (ACR) setting out the findings of audits carried out during the audit year, with regards to audits of operations detailed expenditure, systems audits and follow up work on previous recommendations.
- Issue an annual audit opinion, on the basis of audits carried out, as to whether the management and control systems functioned effectively so as to provide reasonable assurance that statements of expenditure presented to the Commission are correct and, as a consequence, reasonable assurance that the underlying transactions are legal and regular.
- Submit to the Commission a winding up declaration in respect of the FCE programme before the statutory date for closure.

5. Relationship with other audit functions

- 5.1. The Authority will be assisted by a Consultative Audit Group, which will be composed of competent and independent representatives of the National Authorities. The Consultative Audit Group will provide the National Authorities with a channel to influence the audit strategy and audit plan, to ensure specificities of their respective territories and needs are adequately met, whilst ensuring compliance with the relevant EU regulations and associated guidance.
- 5.2. The Authority will provide a progress update to the Norfolk County Council's Audit Committee for information. The update will focus on summarising activity undertaken against expectations from the regulations and/ or the audit plan, to confirm satisfactory progress is being achieved.
- 5.3. The Authority shall liaise with the Audit Service of the European Commission in the Directorate General for Regional Affairs (DG Regio) and submit all required documents, including the annual

audit plans and an annual control report and annual audit opinion as outlined at 4 above.

- 5.4. If requested, the Authority will co-operate with audit missions by the European Commission Audit Services or the European Court of Auditors, either in the provision of information or advice in relation to financial control and audit procedures relating to the FCE programme or by participating in joint missions if appropriate.
- 5.5. Through the use of national public procurement procedures, the Authority will engage the use of private sector audit firms for audit activities on the French territory, specialist work or during particularly busy periods.

6. Reporting Arrangements

- 6.1. The Authority must be functionally independent from the MA and the CA and the Authority should report to a hierarchical level different than the MA's and CA's reporting levels. This enables the Audit Authority to be part of the same public authority or body (e.g. a ministry) together with the MA and/or the CA, provided that the principle of separation of functions is respected.
- 6.2. The Audit Authority is headed by a tier 3 manager, whereas the Managing and Certifying Authorities are both headed by a tier 4 manager.
- 6.3. The Head of Authority will have direct access to the Executive Director of Finance and Commercial Services (Section 151 Officer) and Audit Committee and will report on administrative and budgetary matters to the Executive Director of Finance and Commercial Services.
- 6.4. The Head of Authority shall fully engage with internal governance arrangements within Norfolk County Council and report quarterly to the Audit Committee and to the Section 151 Officer and six monthly to the internal FCE Programme Board in relation to progress on its audit strategy and work programme. Failure to complete annual audit programmes may lead to financial correction and reduction in the drawdown of Structural Funds.
- 6.5. The Authority shall consult national authorities representatives on the Annual Control Report and Audit Opinion, prior to submission to the European Commission.
- 6.6. The Authority shall notify the MA and the internal FCE programme board of any risks to the drawdown of ERDF Structural Funds arising from its regulatory audits of ETC expenditure, the audits of systems in the Certifying Authority and Managing Authorities and audit work in relation to the annual partial closure of accounts.

Where unresolved, unmitigated risks will be identified in the Annual Control Report, which will be shared with the Consultative Audit Group for consultation and with Programme Monitoring Committee by the MA for information.

- 6.7. Individual audit reports will be shared by the AA with the relevant national authority representative prior to finalisation and will be shared by the MA with the Programme Monitoring Committee (or appointed sub-committee) for information once finalised.
- 6.8. The Authority will submit a Winding Up Report to the European Commission at the end of the 2014-20 programming period, on the closure of the FCE ETC programme and inform the Audit Committee of any risks arising from closure which would affect the drawdown of ERDF Funds.

APPROVAL

Adrian Thompson
Chief Internal Auditor and
Head of the Audit Authority

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

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Chairman of the Audit Committee

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Date.....

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

Introduction

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

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

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

The Five Pillars

1. Integrity

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

Internal auditors:

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

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

2. Objectivity

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

Internal auditors:

- 2.1. Will not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2. Will not accept anything that may impair or be presumed to impair their professional judgement
- 2.3. Will disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review or distort their reports or conceal unlawful practice.
- 2.4. Will at all times maintain their professional independence. They must be fair and must not allow prejudice or bias, conflict of interest or the influence of others to override their judgement and actions.

3. Confidentiality

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

Internal auditors:

- 3.1 Will be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Will not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.
- 3.3. Will respect the proper confidentiality of information acquired during the course of performing professional services: information given in the course of duty should be true and fair and never designed to mislead
- 3.4. Will not use or disclose any such information without specific authority unless there is a legal or professional right or duty of disclosure.

4. Competency

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

Internal auditors:

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

5. Professional Behaviour

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

Internal auditors:

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

Nolan Principles

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

6. Selflessness

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

Internal auditors:

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

7. Objectivity

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

Internal auditors:

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

8. Accountability

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

Internal auditors:

8.1 Will produce audit files to back up conclusions reached during the audit process.

8.2 Will ensure there is an adequate review process in place to quality control the work carried out.

9. Openness

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

Internal auditors:

5.1 Will report on completed audit topics for each individual NCC audit at the quarterly Audit Committee meeting.

5.2 Will provide more information about audits with corporate significant concerns to the County Leadership Team and Members.

5.3 Will report progress on corporately significant high priority findings to the Audit Committee.

7. Leadership

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

Internal auditors:

7.1. Will exhibit the above behaviours in their own behaviour.

7.2. Will actively promote and support the principles

7.3. Will challenge and report poor behaviour when identified.

Audit Committee

Item No.....

Report title:	Work Programme
Date of meeting:	19th April 2018
Responsible Chief Officer:	Executive Director, Finance and Commercial Services
Strategic impact <p>The Committee's work fulfils its Terms of Reference as set out in the Council's Constitution and agreed by the Council. The terms of reference fulfil the relevant regulatory requirements of the Council for Accounts and Audit matters, including risk management, internal control and good governance.</p> <p>In accordance with its Terms of Reference the Committee should consider the programme of work set out below.</p>	

31 July 2018 (Please note change of date)	
Annual Update of the Audit Committee	Executive Director, Finance and Commercial Services
Monitoring Officer Annual Report 2017-18	Chief Legal Officer
Anti-Fraud and Corruption Update	Chief Legal Officer
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Annual Governance Statement 2017-18 for Approval	Executive Director, Finance and Commercial Services
Statement of Accounts 2017-18 for Approval	Executive Director, Finance and Commercial Services
Letter of Representation for Statement of Accounts 2017-18, Audit Results Report 2017-18	Executive Director, Finance and Commercial Services
Whistleblowing Policy Update	Chief Legal Officer

27 September 2018	
NAS Quarterly Report Quarter ended 30 June 2018	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Strategy Update	Chief Legal Officer
Internal Audit Plan for the second half of 2018-19	Executive Director, Finance and Commercial Services

31 January 2019	
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NAS Quarterly Report Quarter ended 30 September 2018 (including the approach to the Annual Review of the Effectiveness of the System of Internal Audit)	Executive Director of Finance
Review of NAS Terms of Reference, Code of Ethics and Strategy	Executive Director of Finance
A Half yearly update of the Audit Committee	Executive Director of Finance
Internal Audit Strategy, Approach, Strategic Plan 2017-2020 and Internal Audit Plan for 2019-20	Executive Director of Finance
Audit Committee Terms of Reference	Executive Director of Finance
Anti-Fraud and Corruption Update	Chief Legal Officer

Officer Contact

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

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