

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.