

Audit Committee

Date: **Thursday 30 July 2020**

Time: **2pm**

Virtual meeting via Teams

Pursuant to The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020, the 30 July 2020 Audit Committee meeting of Norfolk County Council will be held using video conferencing.

To view the meeting online, [please follow this link: Public Link to view live meeting](#)

Members of the Committee and other attendees will be sent a separate link to join the meeting.

Membership:

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

Cllr Colin Foulger
Cllr Chris Jones
Cllr Ed Maxfield
Cllr Haydn Thirtle
Cllr Karen Vincent

A g e n d a

1 To receive apologies and details of any substitute members attending

2 Minutes

To confirm the minutes of the meeting held on 30 January 2020.

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3 Members to Declare any Interests

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

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

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

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

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

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

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

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

5 Norfolk Audit Services Report for the Quarter ending 30 June 2020
Report by the Executive Director of Finance & Commercial Services.

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6 Norfolk Audit Services' Annual Report for 2019/20.
Report by the Executive Director of Finance and Commercial Services

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Report by the Executive Director of Finance & Commercial Services | Page 41 |
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Report by the Executive Director of Finance & Commercial Services
and the Director of the Norfolk Pension Fund. | Page 55 |
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Date Agenda Published: 22 July 2020



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Audit Committee
Minutes of the Meeting held on Thursday 30 January 2020 at
2pm in the Edwards Room, County Hall, Norwich

Present:

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

The Committee **agreed** to consider agenda item 11 (Norfolk County Council's Insurance Cover) after agenda item 5 (Norfolk Audit Services Report for the Quarter ending 31 December 2019).

1 Apologies for Absence

- 1.1 Apologies were received from Cllr Colin Foulger (Cllr Penny Carpenter substituted) and Cllr Karen Vincent (Cllr Bev Spratt substituted).

2 Minutes

- 2.1 The minutes from the Audit Committee meeting held on 24 October 2019 were agreed as an accurate record and signed by the Chairman.

3 Declaration of Interests

Cllr Penny Carpenter declared an interest in agenda item 8 (Norfolk Pension Fund – External Audit Plan 2019-20) as she was in receipt of a pension from the Norfolk Pension Fund.

Cllr Haydn Thirtle declared an interest in agenda item 8 (Norfolk Pension Fund – External Audit Plan 2019-20) as he was in receipt of a pension from the Pension Fund.

Cllr Chris Jones declared an interest in agenda item 5 (Norfolk Audit Services Report for the Quarter ending 31 December 2019 (including the approach to the Annual Review of the Effectiveness of the System of Audit)) as he was a Governor of Future Education.

4 Items of Urgent Business

- 4.1 There were no items of urgent business.

5 Norfolk Audit Services Report for the Quarter ending 31 December 2019 (including the approach to the Annual Review of the Effectiveness of the System of Internal Audit).

- 5.1 The Committee received the report by the Executive Director of Finance & Commercial Services updating the Audit Committee on the progress with the delivery of the internal audit work and to advise on the overall opinion on the effectiveness of risk management and internal control. The report sets out the work to support the opinion and any matters of note.
- 5.2 In response to questions from the Committee, the following points were noted:
- 5.2.1 The three descriptors of green, amber and red used for the overall annual opinion were:
- Green – Acceptable.
Amber – Key issues that needed to be addressed. These issues were ones which were being actioned by the relevant department.
Red – Key issues.
- 5.2.2 The Assistant Director of Finance (Audit) clarified that Norfolk County Council had been advised that there were no changes to the current arrangements for the France Channel England Interreg Programme and that projects would continue. It was also confirmed that new projects could be added if required and that the France Channel England programme was expected to conclude in 2024/25. Once National Government advice had been received more information on how the projects would be taken forward would be available.
- 5.2.3 The Norfolk Audit Service had sufficient capacity to carry out the planned audits. The Audit Plan was regularly reviewed with the Executive Director of Finance & Commercial Services and the Assistant Director of Finance (Audit) to ensure sufficient capacity was available within the team. The Committee noted that a new Auditor would be commencing in April/May 2020, the costs of which would be covered by income from the traded service audits. BDO also carried out work on behalf of the County Council and sufficient budget provision had been made available to cover those costs.
- 5.2.4 The Committee was pleased to see Norfolk Audit Services (NAS) had championed the apprenticeship scheme and noted that the current apprentice in NAS had passed her apprenticeship and was working towards taking the necessary exams to enable her to become a qualified Auditor.
- 5.2.5 Norfolk Audit Services carry out audits at Local Authority maintained schools only.
- 5.2.6 The audit team's main focus when reviewing Repton Property Developments Ltd was to focus on the governance side of the company and how it managed pre-operationally as the Acle site had not obtained planning permission at that time. The next audit would focus on the business internal controls.
- 5.2.7 Regarding Contract Management and Monitoring in the non-maintained Independent Sector (Key Issues – red), it was clarified that the relevant departments would formulate the action plans to address the recommendations. Included in the Audit Plan were 'follow-up' days where checks would be carried out to ensure detailed plans had been actioned on the audits that had high priority findings.

The contracts referred to were mostly around where Special Educational Needs placements were and/or children with, for example, autism who attended specialist schools.

5.3 The Committee considered the report and **RESOLVED** to

- **Agree** the key messages featured in the report; that the work and assurance meet their requirements and advise if further information, and
- **Confirm** the continuation of a self-review approach of Public Sector Internal Auditing Standards (PSIAS) until the next external quality assessment in 2022.

6 Norfolk County Council's Insurance Cover

6.1 The Committee received the report by the Executive Director of Finance and 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. 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.

6.2 Since the report had been published, the Insurance Manager highlighted that the full tender process for the four main policy types (Employers Liability, Public Liability, Property or material damage insurance, motor insurance) had now been completed. Initial contract awards had been made and the successful bidders notified. The Insurance Manager reassured the Committee that the procurement process had been robust.

6.2.1 The Insurance Manager advised that there had been a large increase in the number of claims received during January 2020 and that it was likely more would be received than during the whole year of 2018 as it was anticipated that a further increase may be seen. The Committee noted that the Insurance Team successfully defended and effectively managed claims and that the Highways Team were proactive in dealing quickly with reports of potholes to try to reduce the risk of damage and claims.

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

6.3.1 Three main bidders had tendered for 5 lots. The current property insurance market was reluctant to cover high-rise buildings and as Norfolk County Council did not have any high-rise buildings in its portfolio, apart from County Hall, it was in a better position in the insurance market than some other local authorities.

6.3.2 Although it did not fall under the remit of the Insurance Manager, Cllr Bev Spratt highlighted two cases he knew of where genuine claims had been made and which he felt should have a simple process for the claimant.

6.3.3 The airside cover provided cover for emergency services, for example fire appliances, attending incidents at the airport.

6.3.4 The five policy lots included in the tendering process were:

- 1 – Casualty – covering employers and public liability
- 2 – Motor Policy
- 3 – Property Policy
- 4 – Travel – which covered schools, officer and Members expenses.
- 5 – Fidelity – which covered officers and Members who had had their actions questioned when acting on behalf of the council.

Lots 4 and 5 above were smaller value which could potentially allow smaller insurance companies to tender.

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

- **Agree** that proper insurance provision exists where appropriate, as confirmed by external and internal reviews and accept the report.

7 Risk Management

7.1 The Committee received the report by the Executive Director of Finance and Commercial Services referencing the corporate risk register as it stood in January 2020, following the latest review conducted during December 2019.

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

7.2.1 The Norfolk County Council Environmental Policy had recently been launched and a Working Group had been appointed to ascertain how the Policy could be implemented. The risk was around Norfolk County Council not delivering on the Policy and not making sufficient contingency arrangements to mitigate the risks. The risks would be managed corporately, and each department was likely to have ownership of elements of the risks.

7.2.2 The current overspend in Adult Social Care and Children's Services departments was noted and the Departments would be asked for further information on the mitigation actions being taken.

7.2.3 To promote the risk management framework and policy and encourage staff to undertake training, the Risk Manager regularly attended departmental Management Team Meetings to help teams understand the risks and provide challenge. The Risk Manager would provide an update at the next meeting on the methodology of how risks were managed and control management.

7.2.4 The Committee welcomed the clearer narrative and heat map and thanked officers for the new report format.

7.2.5 Regarding Risk RM022 (Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff ('Brexit')), the Assistant Director of Finance (Audit) clarified that this topic had been difficult to monitor as it was continually changing. The risk had been classified as Amber which meant the Risk Manager and Department were keeping an eye on it. Once the UK had left the EU on 31 January, the risk would be reviewed and reframed to reflect the new transitional period and identify new risks once

the advice from the Government had been received. Members felt it should be reframed with a target date of 2021.

- 7.2.6 Some Members of the Committee considered there should be a risk included about Highways England and Section 106 CIL money. The Committee agreed that the topic should feature on the agenda at the next meeting to see if it could do anything to help raise the profile of the issue.

- 7.3 The Committee considered the report and **RESOLVED** to **Note**:

- a) the key changes to the corporate risk register (Appendix A).
- b) the corporate risk heat map (Appendix B).
- c) the latest corporate risks (Appendix C).
- d) the scrutiny options for managing corporate risks (Appendix D).
- e) the background information to the report (appendix E).

The Committee considered agenda items 7 and 8 together.

8 Norfolk County Council – External Audit Plan 2019-20 and Norfolk Pension Fund – External Audit Plan 2019-20.

- 8.1 The Committee received the reports by the Executive Director of Finance & Commercial Services setting out how EY intend to carry out their responsibilities as auditors.
- 8.2 Mr Mark Hodgson and Mr David Riglar attended from External Auditors Ernst & Young and gave a verbal update on their approach to the Annual Audit of the Council for 2019-20, during which the following points were noted:
- 8.3 The External Auditors had met with the Norfolk County Council Finance team in December 2019 and had reviewed the accounts. The Finance Team had undertaken training on the new accounting standards and some risks had been identified.
- The Committee noted that there were no changes to the anticipated audit opinion and both Norfolk County Council and Norfolk Pension Fund had achieved a stable accounting year.
- 8.4 In response to questions from the Committee, the following points were noted:
- 8.4.1 EY were not aware of any authorities auditing carbon footprint and this was not something that would be covered within the accounts audit.
- 8.4.2 Regarding the Norfolk Pension Fund, it was clarified that the McLeod Judgement had been recognised and any ramifications and treatment would be applied as part of the audit remit.
- 8.4.3 It was confirmed that EY had made a commitment to PSAA about its responsibilities and although there were challenges in completing the work, EY had made a commitment to complete the work it had agreed to carry out.
- 8.4.4 Norse Board had the autonomy to appoint their own external auditors to ensure they achieved the best value for money for their specification, although as the

Norse accounts formed part of the Norfolk County Council accounts, information was provided as and when needed to EY. Norse had brought their accounting year in line with Norfolk County Council end of year accounts, as part of a coterminous arrangement.

- 8.5 The Committee considered the report and **RESOLVED** to **Note**:
- the External Auditor's Audit Plan approach for the Council for 2019-20, including their assessment of the Audit Risks and Value for Money Risks and the reporting timetable.
 - the scale fee for the Council is £98,361.
 - the External Auditor's Audit Plan approach for the Norfolk Pension Fund for 2019-20, including their assessment of the Audit Risks and the reporting timetable.
 - that the scale fee for the Norfolk Pension Fund is £20,866.

9 Internal Audit Strategy, Approach, Strategic Plan 2019-2022 and Internal Audit Plan for 2020-21.

- 9.1 The Committee received the report by the Executive Director of Finance and Commercial Services setting out the background; Internal Audit Strategy; the approach to developing the Audit Plan 2020/21; the Audit Plan for 2020/21 and Performance.
- 9.2 The following points were noted in response to questions from the Committee:
- 9.2.1 The Committee welcomed the fact that the work of Norfolk Audit Services was planned to support the Council's vision and strategy 'Together, for Norfolk'.
- 9.2.2 The Committee felt that the title for the proposed audit "auctions" should be wider, for example "Asset and Property Disposal at Auction". As the property team was disposing of unutilised properties through auctions more often, Norfolk Audit Services was ensuring the process was robust.
- 9.3 The Committee considered the report and **RESOLVED** to **approve**:
- The Internal Audit Strategy, the approach to developing the Audit Plan for 2020/21 and the Audit Plan for 2020/21, supported by the 'days available to deliver NAS services 2020/21 and the 'detailed audit plan for the first half of the year for 2020/21' and that this work would deliver the assurances required.
 - That the arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards (2017) and the Local Authority Guidance Note of 2013, including safeguards in place to limit impairments to independence and objectivity for the roles of the Assistant Director of Finance (Audit) (described at paragraph 5.7 of the report) and any other relevant statements of best practice.

10 Counter-Fraud, Bribery and Corruption Progress Report.

- 10.1 The Committee received the report by the Chief Legal Officer providing an update in respect of the proactive and reactive anti-fraud bribery and corruption activity undertaken during the current financial year (2019/20); including Whistleblowing.

- 10.2 The Committee congratulated the Investigative Manager, for the work carried out on the Count-Fraud Strategy created in 2017 which built on the National counter-fraud strategy and which had been reviewed by Fighting Fraud locally.
- 10.3 The following points were noted in response to questions from the Committee:
- 10.3.1 The counter-fraud e-learning programme was awaiting compliance before being rolled out.
- 10.3.2 The Chartered institute of Public Finance and Accountancy (CIPFA) had carried out its national benchmarking and had identified that the £253m of identified fraud detected was a national figure.
- 10.3.3 It was recognised that single person discount fraud was a national issue and work was being undertaken with District Council colleagues to work with credit reference agencies to match up data and work with District Councils to share information if it was identified that more than one person was likely to be living at a property.
- 10.4.4 The Investigative Manager would be attending a meeting on 2 March 2020 with representatives from other Councils, including Essex County Council. The aim of the meeting would be to share information on emerging threats and risks.
- 10.4.5 Although the recovery of £27k was a modest sum, it was noted that Norfolk County Council didn't hold housing stock or manage benefits.
- 10.4.6 The Investigative Manager worked across the whole county when required to carry out investigations and was not office-based.
- 10.4.7 Any incidents of fraud by elected members would be dealt with through the Monitoring Officer as there was a clear separation of duties.
- 10.4.8 The Investigative Manager would follow up if the procurement process took into account a code of ethics around modern slavery, bribery and corruption as well as incentives.
- 10.5 The Committee considered the report and **RESOLVED** to:
- **Agree** that the content of the Anti-Fraud, Bribery and Corruption and Whistleblowing progress report (Appendix A), the key messages, that the progress was satisfactory and arrangements were effective.

11 Work Programme

- 11.1 The Committee received the report by the Executive Director of Finance and Commercial Services setting out the work programme.
- 11.2 The following topics to be added to the Forward Plan:
- Highways England Risks.
Update on Risks.

11.3 The Committee considered and **noted** the report.

The meeting ended at 3.40 pm

Chairman



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Audit Committee

Item No. 5

Decision Making Report title:	Norfolk Audit Services Report for the Quarter ending 30 June 2020
Date of meeting:	30 July 2020
Responsible Cabinet Member:	Not applicable
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services
Is this a key decision?	No

Executive Summary

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

The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference, which is part of the Council's Constitution.

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

The Covid-19 outbreak, which started in late 2019 and developed rapidly during early 2020, meant that the Council deployed the Civil Contingencies Act 2004 [1] provisions and in order to follow government guidance on remote working and social distancing suspended Council meetings. In May the Council successfully deployed remote Council meetings for Cabinet and Scrutiny meetings. Decisions have been taken by Cabinet Portfolio Holders or the Head of Paid Service, as allowed for in the Council's Constitution. Business and officer meetings, briefings, communication and training continued successfully in a virtual format exploiting and leveraging the Council's Microsoft TEAMS facilities. The system has shown capacity for over 3,000 simultaneous remote users. The Government passed a Coronavirus Act 2020 in March 2020 and has subsequently issued supporting regulations. The Council has participated in the Norfolk Resilience Forum and has held effective Gold and Silver meetings daily throughout the outbreak, including for risk management. A detailed report on the Covid-19 response and the financial implications was reported to Cabinet on Monday 11 May 2020. The report can be found at this [link](#).

The Chief Internal Auditor reviews the effectiveness of the system of internal control, including risk management, throughout the year and reports annually to the Audit Committee. Due to the suspension of Council meetings the 9th April 2020 Audit Committee was cancelled. The Chief Internal Auditor reports that, the system of internal control, including the arrangements for the management of risk during 2019-20, was acceptable and therefore considered sound.

Note 1: Councils are category one responders under the Civil Contingencies Act 2004, which sets out the legislative framework for responding to emergencies such as the Covid-19 outbreak. As part of the local resilience forum councils work with local partner organisations to plan and activate emergency responses and there are established

officer-led processes for leading the strategic (gold), tactical (silver) and operational (bronze) responses under the 2004 Act.

Recommendation

- **To consider and agree the key messages featured in this quarterly report, that the work and assurance meet their requirements and advise if further information is required**

1. Background and Purpose

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

2. Proposals

- 2.1 The Audit Committee are recommended to consider and agree:
- the key messages below
 - that the work and assurance meet their requirements and advise if further information is required
- 2.2 The key messages are as follows: -

2019.20 Opinion work

- As lockdown began, we were finishing the 2019/20 Audit Plan. As we entered the 2020/21 audit year, we have been able to carry on with this work and progress this as far as we could, holding feedback meetings and issuing draft reports. In some cases, we have also been able to finalise reports. Our current position as at 30th June 2020 on 2019/20 audits is shown in the table below and the final reports issued in quarter 4 2019/20 and quarter 1 2020/21 are shown at **Appendix A** with a summary of the audit objectives and actions where the opinion was 'Key issues – red or amber'.

Status	Number
Final reports	21
Draft reports	6

WIP	2
Not started	1 (to be c/fwd into 2020/21 Audit Plan)
Total audits	30

2020/21 Opinion work

- Staff have also been encouraged to enrol on the Skills bank and many of our Team did this, although no one has had any approaches of assistance which resulted in them being redeployed to other departments.
- Three members of our Team have been assisting Budgeting and Accounting with Adult Social Services' Covid-19 recharges. This is a monthly task which started in May and will continue for June and possibly beyond. This has created an opportunity for one of our Internal Audit Manager Apprentices to lead a small team in a project. This work was approved by the Assistant Director of Finance (Audit) after consideration of the Internal Audit Standards Advisory Board' (IASAB) guidance 'Conformance with PSIAS during the coronavirus pandemic' which provides guidance to support Heads of Internal Audit and individual internal auditors in the UK public sector. It advises that diversion from planned internal audit work will not automatically mean that internal audit services do not conform with the PSIAS but that there are some basic steps to take to safeguard the longer -term position of the service. The challenges when internal audit staff are diverted to other work is that it reduces the capacity to carry out audit work, capacity to monitor the quality of that work, and may make it harder to manage threats of independence. However, each internal auditor retains their personal responsibility for operating in accordance with the PSIAS and should aim to act professionally. For the auditors involved in this work, it was made clear to them and those they were working for, that for the duration, they were not operating as internal auditors. Any threats to these auditors' independence and objectivity will be assessed in the future if audits in related areas are to be undertaken by them.
- Other than progressing 2019/20 audit work as far they could, the Team have had other work to do. This work related to preparing for their annual performance development discussion (PDP) and holding these, completing CPD records, audit feedback sheets, mandatory and other relevant training, DSE home working assessments and Code of Ethics declarations, familiarising themselves with the Microsoft TEAMS and preparing for the 2020//21 grant certifications, along with other year-end admin tasks.
- NASMT agreed that any audit work would be consensual with departments at this time and they would not be unnecessarily burdened with audits.
- Principal Client Managers have been reviewing the 2020/21 Audit Plan and have begun to approach some of the departments for discussions on their audit plans and whether these are still relevant and what else we could usefully look at bearing in mind the department's response to and involvement with Covid-19 activities. **Appendix B** details the audits that

have been agreed with departments which are considered relevant to continue with in 2020/21 so far.

2020/21 Grant Certifications

- The required grant certifications for the first half of the year are detailed in **Appendix B**.

2019/20 & 2020/21 Traded Full School Audits

- We still have three 2019/20 draft reports which are still to be finalised with schools. No traded full school audits have been completed in 2020/21. Those booked in, have been cancelled and the schools notified. We are developing a reduced audit programme which can be completed remotely and that will provide some assurance for 2020/21 in the event that we are unable to physically visit schools in this audit year.

Overall Opinion

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

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

High Priority Findings

- The progress with resolving the three corporate High Priority findings is acceptable.

FCE

- There is satisfactory progress of the Audit Authority work for the France Channel England Interreg Programme.

Other

- Internal Audit's mission is to enhance and protect organisational value by following Public Sector Internal Audit Standards (PSIAS). CIPFA Services were commissioned to undertake an external quality assessment in early 2017. An independent external quality assessment of how the Public Sector Internal Audit Standards (PSIAS) are being met by us is required every five years and our next review is not due until 2022. Self-review against the PSIAS is ongoing in the meantime, and the results will be reported to Audit Committee in our Annual Report.
- Technical notes are at **Appendix C** for reference.

3. Impact of the Proposal

- 3.1 The Accounts and Audit Regulations 2015 (**as amended in 2020**) require that, from 1 April 2015, the Council must ensure that it has a sound system of internal control that meets the relevant standards. The responsibilities for Internal Audit are set out in the Financial Regulations which are part of the Council's

Constitution. Internal Audit follows appropriate standards (the PSIAS).

- 3.2 A sound internal audit function helps ensure that there is an independent examination, evaluation and reporting of an opinion on the adequacy and effectiveness of internal control and risk management as a contribution to the proper, economic, efficient and effective use of resources and the delivery of the County Council's Strategic Ambitions and core role as set out in the County Council's Business plan, 'Together for Norfolk'.

- 3.3 The internal audit plan will be delivered within the agreed NAS resources and budget. Individual audit topics may change in year which will result in the higher risk areas being include in the plan to inform the annual audit opinion.

- 3.4 As a result of the delivery of the internal audit plan and audit topic coverage, the Committee, Executive Directors, Senior Officers and Managers will have assurance through our audit conclusions and findings that internal controls, governance and risk management arrangements are working effectively or there are plans in place to strengthen controls.

4. Evidence and Reasons for Decision

- 4.1. Not applicable.

5. Alternative Options

- 5.1. There are no alternative options.

6. Financial Implications

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

7. Resource Implications

- 7.1. **Staff:**
There are no staff implications.

- 7.2. **Property:**
There are no property implications

- 7.3. **IT:**
There are no IT implications

8. Other Implications

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

- 8.2. **Human Rights implications**
There are no specific human rights implications to consider within this report

- 8.3. **Equality Impact Assessment (EqIA) (this must be included)**
No implications

- 8.4. **Health and Safety implications** (where appropriate)
There are no health and safety implications
- 8.5. **Sustainability implications** (where appropriate)
There are no sustainability implications
- 8.6. **Any other implications**
There are no other implications

9. Risk Implications/Assessment

- 9.1. Not applicable

10. Select Committee comments

- 10.1. Not applicable

11. Recommendation

- 11.1. See Action Required in the Executive Summary above.

12. Background Papers

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

Officer Contact

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

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

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



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Norfolk Audit Services

Final Reports Issued in the Quarter ending 30 June 2020

NOTE: This report is for audits completed to the 30 June 2020. Any audits completed up to the July Audit Committee will be reported verbally at the meeting.

Final Reports: - Issued in Quarter 4 2019-20 and Quarter 1 2020/21

2019/20 Audit Plan: -

Opinion Work

1. Credit Control – Acceptable
2. Highways Commercialisation – Acceptable
3. Transforming Cities Programme - Acceptable

No further details have been provided for the above final reports as these all have an overall opinion of 'acceptable'.

4. **Expenses** (Key Issues – Red)

Audit Objectives: -

1. To provide assurance over the adequacy and effectiveness of the controls in place to deliver the objectives and goals of Finance Exchequer Services in respect of the payment of employee expense claims;
2. To confirm the existence of, and adherence to, approved policies and procedures for the claiming of expenses;
3. To provide assurance that expense claims are completed correctly, supported by appropriate documentation and independently approved by an appropriate officer as determined by the County Council's Financial Regulations; and
4. To provide assurance that monitoring procedures are in place to ensure invalid expense claims are returned to the claimant before payment is made.
5. To provide assurance that the data from the paper claim forms is input timely, completely and accurately into the Oracle system and that exceptions are identified and investigated.
6. To identify any matters that need to be addressed prior to the implementation of the new electronic expenses system in March 2020.

Robust action plans are in place to address our recommendations as follows: -

The following matters need to be addressed prior to the implementation of the new electronic expenses system in March 2020:

- a) Amend the Employee Expenses policy to require that a valid VAT receipt be submitted for both manual F304 and electronic F304K claims.
- b) Expense claims without VAT receipts should be returned to the employee requesting evidence of payment before the claim is processed
- c) A sample of paid expense claims should be reviewed each month to confirm that they are supported by appropriate evidence.

- d) Confirm that all expense claims have been approved by an appropriate authoriser prior to payment. Where an appropriate authoriser has not approved the claim, return the form to the claimant.
- e) Formalise sense checks performed on expenses and ensure appropriate controls are in place to confirm the accuracy and completeness of manual expense claims entered into Oracle.

Management letters

- 1. Use of Volunteers Follow Up
- 2. IMT Access Part 2

School Traded Audits

- 1. **Hall Road Traded School** (Key Issues - red)

Robust action plans are in place to address our recommendations for: -

- a) Payments documentation filing and retention
 - b) Purchase orders
 - c) Payment authorisation
 - d) Banking Monies
 - e) Income received
 - f) The employment status of individuals for tax purposes
 - g) Purchasing cards controls
- 2. Fairstead Community Primary and Nursery School – Acceptable
 - 3. Ceil Gowing Infant School – Key Issues – Amber
 - 4. Homefield CE VC Primary School - Key Issues – Amber
 - 5. Rollesby Primary School – Acceptable
 - 6. Poringland Primary School & Nursery - Key Issues - Amber
 - 7. Barham Broom CE VA Primary School – Acceptable
 - 8. St John's Community Primary School & Nursery - Acceptable
 - 9. Robert Kett Primary School - Key Issues - Amber
 - 10. St Mary's Community Primary School - Key Issues – Amber
 - 11. Ludham Primary School & Nursery - Key Issues – Amber
 - 12. Edmund De Moundeford VC Primary School - Key Issues – Amber
 - 13. Carleton Rode Primary School -- Key Issues – Amber
 - 14. Coastal Federation - Acceptable
 - 15. Swanton Morley VC Primary School – Key Issues - Amber
 - 16. East Harling Primary School & Nursery - Key Issues - Amber (draft)
 - 17. Lakenham Primary School - Key Issues - Amber (draft)

Grants Certified

- 1. BD-UK (Quarters 1-4 2019/20)
- 2. Family Focus (P/e March 2020)
- 3. Green Pilgrimage (P/e December 2019)

4. CATCH (P/e January 2020)
5. PROWAD) P/e January 2020)
6. ESFA 16-19 Funding

Norfolk Pension Fund

1. Annual Reporting Requirements – Compliance with CIPFA Guidance - Acceptable
2. Risk Management - Acceptable

Audit Plan 2020/21 – firmed audits

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Together, for Norfolk Ref.
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Opinion Work				
Auctions - in progress	Financial risk	15	Assurance that the controls to manage the auction process are appropriate and working in practice.	Growing Economy
Procurement (NPS & Norse) – in progress	Financial risk	20	Assurance that the controls in place for procurement are appropriate and working in practice, including the checks completed on bidders and the oversight of NPS and Norse by County Council of their procurement activities.	N/a
Data Centres – in progress	IT Service risk RM14140	15	Assurance on the controls in place to manage and operate the two data centres including environment control, fire protection, access and physical security.	N/a
Service Performance – in progress	General IT and Service Delivery risk	30	Assurance on the controls in place to ensure the service desks are delivering within expected SLAs and that these are being effectively managed and monitored.	N/a
ICT Disaster Recovery – not started	IT Service risk RM14142 / corporate risk RM010 and RM016	15	Assurance on the controls in place to recover systems and to continue to communicate and share information internally and externally in the event of a disaster, taking into account the new systems coming onboard.	N/a
Highways Asset Management Strategy – in draft	Service risk	5	Assurance over the annual self-assessment assurance process - DfT Incentive Fund.	Growing Economy

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Together for Norfolk Ref.
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Third River Crossing Part 1 – in progress	Project risk RM024	20	Review and challenge of the 'Total of the Prices' as part of the contractor's tender submission.	Strong Communities
Third River Crossing Part 2 – not started	Project risk RM024	10	Assurance on the operation of the controls in place to manage the building works to ensure that the work is delivered as expected, on time and in budget.	Strong Communities
NCC Environmental Policy – not started	Departmental risk	15	Assurance that the newly agreed environmental policy is well governed, managed and monitored to deliver the expected deliverables.	Strong Communities
Scottow Enterprise Park (SEP) – not started	Service risk	20	Assurance that effective governance arrangements are in place to manage and monitor the SEP, and that the purpose of the SEP is being delivered.	Growing Economy
Castle Keep Project Build – not started	Project risk	20	Assurance on the controls in place to manage the building works to ensure that the work is delivered as expected, on time and in budget.	Strong Communities
Financial Assessments – not started	Financial risk	20	Assurance that the controls to assess the financial status of potential clients are appropriate and operating in practice.	Thriving People
Payments to Clients – not started	Financial risk	30	Assurance that the controls to manage payments to clients are appropriate and working in practice	Thriving People
Financial Management Code – not started	Financial risk	15	Assurance over the preparedness for the new Financial Management Code	N/a

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Together for Norfolk Ref.
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Treasury Management	Financial risk	15	Assurance that the controls to manage the County Council's financial investments are appropriate and operating in practice taking into account the Treasury Management Code	N/a
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Grants to be certified by 30/9/20

LGA	EU	Other
Fire (June 20)	Bidrex (March 20)	Norse (P/e March 20)
Blue Badges (July 20)	Endure (P/e June 20)	
Transforming Cities Programme	FACET (P/e June 20)	
Transforming Care (June 20)	Police & Crime Panel (P/e March 20) - completed	
A140 Hempnall Roundabout (Sep 20)	Police Crime Panel (P/e August 20)	
CES	Family Focus (P/e Jun 20)	
LA Bus subsidy (Sep 20)	Family Focus (P/e Sep 20)	
Serious Youth Violence	Local Full Fibre Network	
Disabled Facilities (Sep 20)	SAIL (P/e July 20)	
	CATCH (P/e July)	
	PROWAD (P/e Aug 20)	

Norfolk Pension Fund Audits to be completed by 30/9/20

1. Hymans employer asset tracking (HEAT)
2. Transfers Out

Technical Notes

Work to support the opinion

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

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

- Final reports issued in the period (**Appendix A**)
- The results of any follow up audits
- The results of other work carried out by Norfolk Audit Services; and
- The corporate significance of the reports

Audits of Note

No audits of note were completed during the period.

Corporate High Priority Findings

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

Whistleblowing, investigations and Anti-Fraud and Corruption

See separate reports elsewhere on this agenda for detail.

France (Channel) England (FCE) Update

Good progress has been made against the delivery of the audit plan.

Audit Committee

Item No 6

Report title:	Norfolk Audit Services' Annual Report for 2019/20
Date of meeting:	30th July 2020
Responsible Chief Officer:	Executive Director, Finance and Commercial Services
Strategic Impact The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference, which is part of the Council's Constitution at Appendix 2 (please click underlined text for links to the webpage).	

Executive summary

Norfolk Audit Services (NAS) fulfils the internal audit function for the County Council as required by its own Terms of Reference and the relevant regulations and standards, which are considered annually by the Committee. Our work is planned to support the County Council's [vision and strategy](#).

This report sets out the:

- Introduction (Section 3)
- Our opinions (Section 4)
- Our Quality Assurance and Improvement Programme (Section 5)
- Our Performance (Section 6)
- Financial implications (Section 7)
- Issues, risks, staffing and innovation (Section 8)
- Council's Financial Statements and Fraud (ISA 240) (Section 9)
- Background papers (Section 10)

The Covid-19 outbreak, which started in late 2019 and developed rapidly during early 2020, meant that the Council deployed the Civil Contingencies Act 2004 [1] provisions and in order to follow government guidance on remote working and social distancing suspended Council meetings. In May the Council successfully deployed remote Council meetings for Cabinet and Scrutiny meetings. Decisions have been taken by Cabinet Portfolio Holders or the Head of Paid Service, as allowed for in the Council's Constitution. Business and officer meetings, briefings, communication and training continued successfully in a virtual format exploiting and leveraging the Council's Microsoft TEAMS facilities. The system has shown capacity for over 3,000 simultaneous remote users. The Government passed a Coronarvirus Act 2020 in March 2020 and has subsequently issued supporting regulations. The Council has participated in the Norfolk Resilience Forum and has held effective Gold and Silver meetings daily throughout the outbreak, including for risk management. A detailed report on the Covid-19 response and the financial implications was reported to Cabinet on Monday 11 May 2020. The report can be found at this [link](#).

The Chief Internal Auditor reviews the effectiveness of the system of internal control, including risk management, throughout the year and reports annually to the Audit Committee. Due to the suspension of Council meetings the 9th April 2020 Audit Committee was cancelled. The Chief Internal Auditor reports that, the system of internal control, including the arrangements for the management of risk during 2019-20, was acceptable and therefore considered sound.

The impact of the Covid-19 outbreak for ongoing ways of working, internal controls, risks and governance are being continually monitored and managed. The Committee will be advised on any significant changes to governance, management, policies and procedures on a risk assessed basis, so as to provide ongoing assurance.

Note 1: Councils are category one responders under the Civil Contingencies Act 2004, which sets out the legislative framework for responding to emergencies such as the Covid-19 outbreak. As part of the local resilience forum councils work with local partner organisations to plan and activate emergency responses and there are established officer-led processes for leading the strategic (gold), tactical (silver) and operational (bronze) responses under the 2004 Act.

Recommendation:

The Audit Committee is recommended to consider and agree:

- Our opinion on the overall adequacy and effectiveness of the County Council's framework of risk management, governance and control for 2019/20 is 'Acceptable'.
- The audit service provided by NAS continues to conform with the International Standards for the Professional Practice of Internal Auditing (Public Sector Internal Auditing Standards (PSIAS)) and complies with the Accounts and Audit Regulations 2015.
- The Annual Governance Statement (AGS) for 2019/20 will refer to this report and will be reported to this Committee in October 2020 for its approval
- The impact of the Covid-19 outbreak for ongoing ways of working, internal controls, risks and governance are being continually monitored and managed and assurance will be provided to the Committee through regular reporting.

1. Proposal (or options)

- 1.1 The recommendation is set out in the Executive Summary above.

2. Evidence

- 2.1 The evidence is detailed in sections 3 to 7 below.

3. Introduction

Accounts and Audit Regulations (England) 2015 (as amended in 2020)

- 3.1 Under these regulations, the County Council ('the Council')
- 'must ensure that it has a sound system of internal control which (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk.
 - 'must, each financial year (a) conduct a review of the effectiveness of the system of internal control' and '(b) prepare an annual governance statement.'
 - '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'.

Planning considerations

- 3.2 In compiling our Audit Plan, we considered the requirement to produce an annual internal audit opinion and report, that could be used by the Council to inform its Annual Governance Statement (AGS), and the need to conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, and ensured sufficient days and a variety of audit areas were included.

Opinion requirements

- 3.3 Our Annual Report concludes on our overall opinion of the adequacy and effectiveness of the Council's framework of risk management, governance and control, following the completion and outcomes of our audit opinion and traded school work.

Other work and our performance

- 3.4 Our Annual Report also covers the outcomes of our grant certification work, audit work for external clients and the performance of NAS.

4. Our opinions

Internal Control

- 4.1 Our opinion on the adequacy and effectiveness of the Council's framework of control is 'Acceptable'.
- 4.2 The Audit Plan approved in January 2019 contained 35 audits. Seven audits were subsequently added as the new audit year commenced. At the second half of the year refresh, ten audits were not required and were removed, and three new audits were added. A further ten audits were subsequently removed at the planning stage and a further six audits added to make a final total of 31 audits for the year. Of these six, one was subsequently cancelled and one did not start in 2019/20 but will be taken forward into the 2020/21 Audit Plan. Therefore, as of 31st March 2020, our opinion is based on 29 opinion audits at draft or final stage and 28 traded school audits at draft or final stage.
- 4.3 The 28 opinion audits at draft or final stage were classified as follows: -

Opinion	Number
Acceptable – green rated	12
Key issues to be addressed – amber rated	3
Key issues to be addressed – red rated	3
No opinion applicable	10
To be determined	1

N.B. No opinion applicable relates to where we have issued management letters and in one case, where the external contractor did not provide an overall assurance opinion, and in another, where the work was advisory.

- 4.4 The 28 traded audits at final or draft stage were classified as follows: -

Opinion	Number
Acceptable – green rated	12
Key issues to be addressed – amber rated	15
Key issues to be addressed – red rated	1
To be determined	0

- 4.5 There were four red rated audit opinions issued in 2019/20, summary details in relation to these audits were reported during our quarterly reporting throughout the year: -
- Hall School (traded full school audit)
 - Contract Management and Monitoring in the Non-Maintained Independent Sector
 - Expenses
 - Data Sharing Agreements (still in draft)

Governance

- 4.6 Our opinion on the adequacy and effectiveness of the Council's framework of governance is 'Acceptable'. This is based on the opinion audits where

governance was the primary audit scope as well as where governance arrangements were a part of the overall audit scope.

- Where governance was the primary focus of the audit: - Repton Housing Property Developments Limited, Independence Matters, Management of Partnerships, Information Management Governance Framework (see 4.8 below).
- Where governance arrangements were part of the audit scope: - for significant contracts within all directorates as part of the wider contract management and monitoring audit scope, in specific audits on, for example, looked after children and Ormiston Families contract, Highway Commercialisation and within the wider project management audit scope of the refurbishment work for the lower ground floor and basement.

4.7 An external review of our Information management governance framework arrangements was undertaken during January and February 2020 by SOCITM Advisory. A robust action plan has been agreed to strengthen our information governance, sponsored by the Executive Director Strategy and Governance and the Director of Governance and will be monitored via the Corporate Board.

4.8 It should be noted that the Council publishes its Annual Governance Statement (AGS), which concludes on the fitness for purpose of the Council's governance framework, for signature by the Leader of the Council and the Head of Paid Service. That review is informed by the audit opinion work we undertake in the year.

Background to governance

4.9 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Council has its own [Code of Corporate Governance](#) based on the International Framework: Good Governance in the Public Sector, produced by CIPFA and the International Federation of Accountants (IFAC).

4.10 The Council's AGS provides an overall self-assessment of the Council's corporate governance arrangements and how it adheres to the governance standards set out in the Code. Evidence relating to the principles of the Code is reviewed and analysed to assess the robustness of the Council's governance arrangements.

4.11 The AGS includes an appraisal of the key controls in place to manage the Council's principal governance risks and the effectiveness of systems and processes governing decision making and financial control.

Risk management

4.12 Our opinion on the adequacy and effectiveness of the Council's framework of risk management is 'Acceptable'.

4.13 Our opinion is based on a high-level review of the Council's risk management framework, undertaken during the completion of the Audit Plan for 2020/21, in determining whether to rely on the Council's risk assessments for audit planning purposes, to develop a risk-based plan, as well as the Risk

Management Officer's own conclusion, as detailed in the Annual Report for Risk Management 2019/20. This states that 'the Council's system of Risk Management during 2019/20 was sound, adequate, and effective in accordance with the requirements of the Accounts and Audit (England) Regulations 2015 (as amended in 2020).'

Background to risk management

4.14 It should be noted that the CIA has management responsibility for the corporate risk management system and that safeguards are in place to limit any impairments to independence and objectivity in drawing a conclusion on the adequacy and effectiveness of the risk framework.

4.15 These safeguards are detailed below: -

- The Council has a qualified Risk Management Officer.
- The function undertakes nationally recognised benchmarking and reports this to the Committee.
- The Executive Director of Finance and Commercial Services has overall responsibility and reports to the Committee quarterly and annually.
- The External Auditors review the AGS which includes the effectiveness of risk management.
- External reviews of the Risk Management Framework are undertaken.

Grants

4.16 We have certified a total of 34 grants during 2019/20 as detailed in the table below.

Grant Name	Total Certified
LGA	
Fire and Rescue Authorities Capital Funding Grant	1
Disabled Facilities Capital Grant	1
CES (Local Transport Capital Block Funding)	1
CES (National productivity investment fund specific fund (A140 Hempnall roundabout)	1
LA Bus Subsidy Ring Fenced Revenue Grant	1
Transforming Care	1
Additional Pothole Funding	1
EU	
BID-REX	1
SAIL	2
Green Pilgrimage	2

ENDURE	2
CATCH	2
PROWAD	2
Internal for UK Government grants	
BD-UK	4
Police and Crime Panel (PCP)	2
Payment By results (Family Focus)	4
Teacher's Pension Scheme Certification	1
External Clients	
Norse	2
ESFA	1
Sheringham Primary Teaching School	2
Total	34

Norfolk Pension Fund

- 4.17 In total there were five opinion audits in the 2019/20 Audit Plan for the Norfolk Pension Fund. The five opinion audits were classified as follows: -

Opinion	Number
Acceptable – green rated	5
Key issues to be addressed – amber rated	0
Key issues to be addressed – red rated	0
No opinion applicable	1

- 4.18 The 'no opinion applicable' relates to the Information security unannounced visit audit. We produced a management letter for this audit work.

Other work

- 4.19 We completed audit work for the EIFCA (Eastern Inshore Fisheries and Conservation Authority) in 2019/20.

FCE

- 4.20 The Audit Authority has completed all the planned work in relation to the accounting year ending 30 June 2019 and issued an Unqualified Annual Audit Opinion within the regulatory deadline (15 February 2020). The report has been accepted by the Commission with no immediate issue raised. The Audit Annual Control Report will be further discussed at the Annual Bi-Lateral Co-ordination meeting later this year.

- 4.21 The delivery of audit work for the next accounting year has started in February 2020. The planning of system audits is informed by the requirements of the EU regulations concerning what the annual audit opinion

is to cover but also by a risk assessment, which considers assurances already available and changes in the external and internal environment or activities undertaken by the MA and Certifying Authority (CA) during the accounting year.

- 4.22 We have received consistent positive feedback from audited beneficiaries on how the on-the-spot visits were conducted

5. Our Quality Assurance and Improvement Programme

External Assessments

- 5.1 CIPFA, in collaboration with the Chartered Institute of Internal Auditors (CIIA), has produced the [UK Public Sector Internal Audit Standards \(PSIAS\)](#) which came into force on 1 April 2013 and latest revised version is dated, 1 April 2017. CIPFA, in collaboration with the CIIA, also published in February 2019 the [Local Authority Guidance Note \(LAGN\)](#) for the Standards, which remain current.
- 5.2 At our last external quality assessment (EQA) in 2017/18, found that our internal audit activity 'conforms to the International Standards for the Professional Practice of Internal Auditing'. Our next EQA is due in 2022/23.
- 5.3 There is one action still to complete from the eleven recommendations resulting from the EQA in 2017/18. The action is to include Members of the Audit Committee and Officers of the Council in internal peer reviews of NAS. A peer review is planned for later in 2020-21.

Internal Assessments

- 5.4 The NAS Management Team are responsible for ensuring that internal audit activity continues to confirm with International Standards.
- 5.5 All audit work performed by auditors is supervised by a Senior Auditor and a Principal Client Manager.
- 5.6 All audit work is subject to a review during the audit and prior to the issue of the draft report. Coaching notes are raised by the Reviewer and addressed by the Auditor and feedback regarding what the Auditor did well and what they could improve, and any training needs is provided at the end of every audit.
- 5.7 All draft audit reports are reviewed by the Principal Client Managers prior to issue.
- 5.8 The CIA reviews all draft reports where the audit opinion is 'Key Issues to be addressed – 'red rated' and 'key Issues to be addressed - amber rated' audit opinion draft reports where the topic is corporately or departmentally significant prior to issue or where the topic is an 'audit of note'.
- 5.9 The scope of audits (except for schools and grants) are discussed by the CIA and the Principal Client Managers.

- 5.10 The Principal Clients Managers review a sample of audit work in each half of the year and report back on any improvements that need to be made by the Team.
- 5.11 During 2019/20 Principal Client Managers have been 'hands on' in the day to day delivery of audits and the appropriate recording of these on our electronic auditing system, which has meant we have not had to undertake specific quality file checks of our work.

Conclusion

- 5.12 Our self-assessment continues to support our EQA opinion that our internal audit activity still 'conforms to the International Standards for the Professional Practice of Internal Auditing'. During 2019/20 we part completed a self-assessment using CIPFA's checklist for our self-assessment as provided in their February 2019 LAGN. This will be completed during 2020/21.

6. Our performance

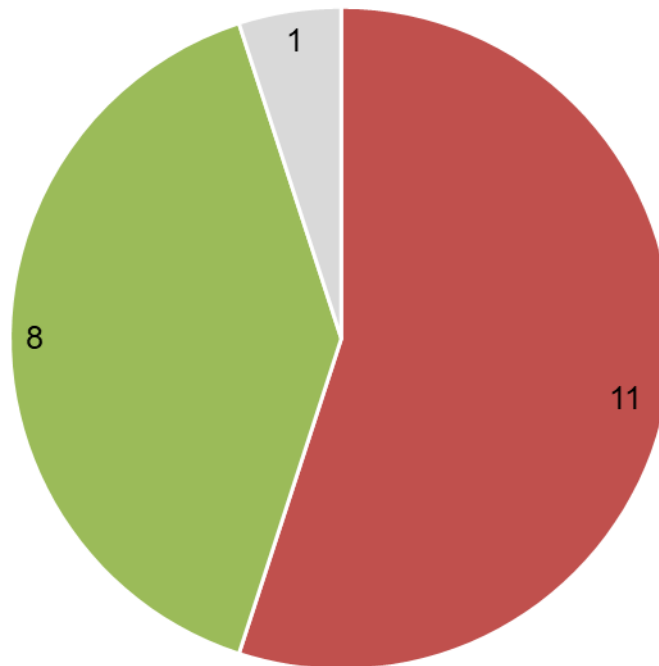
Opinion audits

- 6.1 Our targets and progress with achieving these is detailed in the table below.

Target	Achieved / Not Achieved
All opinion draft reports issued within 10 days of Feedback Meeting (This is based on 20 draft reports; the nine management letters are not counted as these tend to be issued as final versions only)	Not achieved (see 6.2 below)

Draft Reports Issued within 10 days

■ 11 days+ ■ 10 days & under ■ Not yet processed

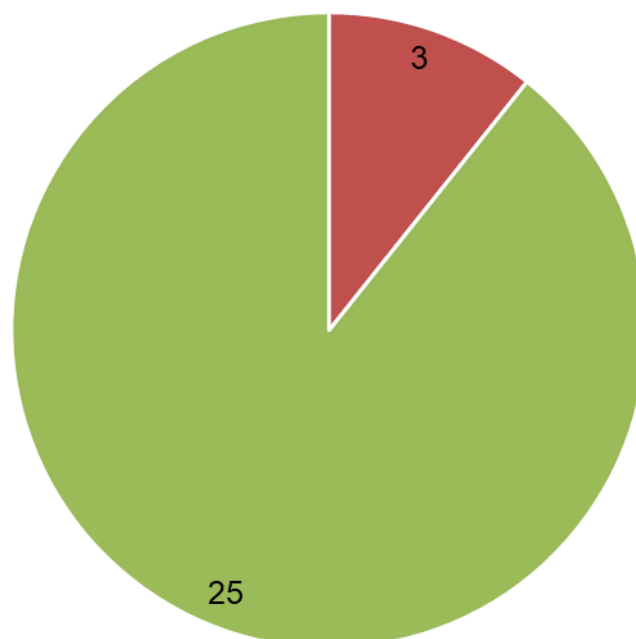


All 28 draft traded school audit reports issued within 10 days of Feedback Meeting
(This is based on 28 traded school audits.)

Almost achieved (see 6.2 below)

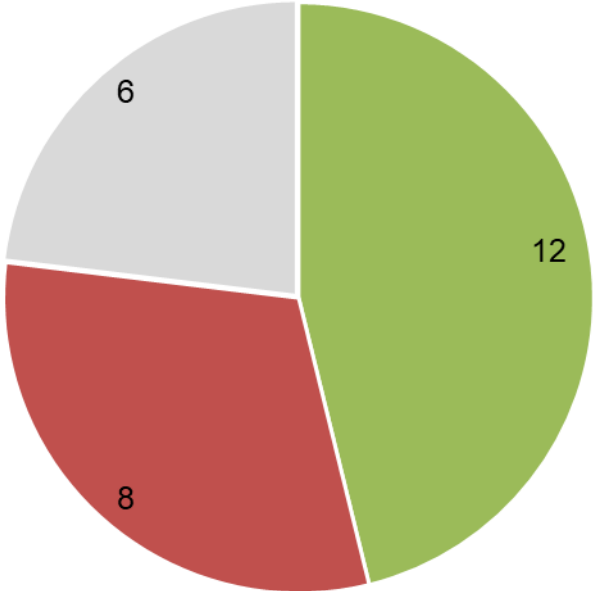
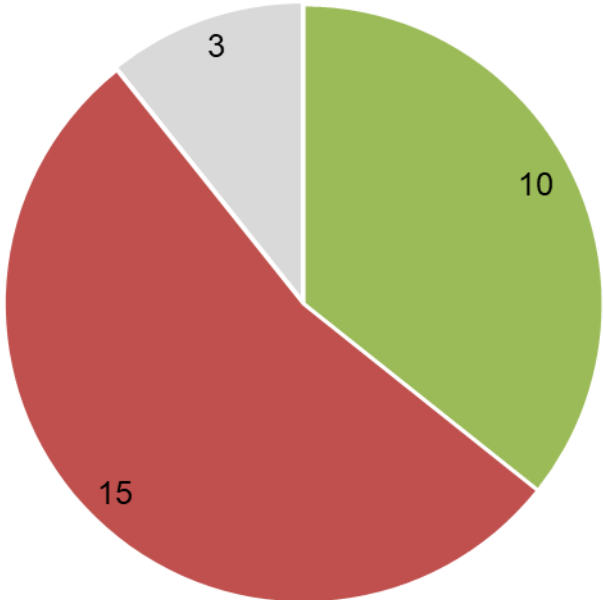
Draft Reports issued within 10 days

■ 11 days+ ■ 10 days & under



To deliver 100% of opinion audits within +/-5% of the agreed cash budget

Not achieved (see 6.2 below)

(Based on 20 finalised opinion audits, which includes 3 completed by our external contractor)									
<p style="text-align: center;"><u>Audits Completed within Budget</u></p> <p style="text-align: center;">■ Within Budget (Y) ■ Overbudget (N) ■ To be determined</p>  <table border="1" style="margin-left: auto; margin-right: auto;"> <caption>Audits Completed within Budget</caption> <thead> <tr> <th>Category</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>Within Budget (Y)</td> <td>12</td> </tr> <tr> <td>Overbudget (N)</td> <td>8</td> </tr> <tr> <td>To be determined</td> <td>6</td> </tr> </tbody> </table>		Category	Count	Within Budget (Y)	12	Overbudget (N)	8	To be determined	6
Category	Count								
Within Budget (Y)	12								
Overbudget (N)	8								
To be determined	6								
To deliver 100% of traded school audits within +/-5% of the agreed cash budget (Based on 25 finalised traded school audits)	Not achieved (see 6.2 below)								
<p style="text-align: center;"><u>Traded Audits Completed within Budget</u></p> <p style="text-align: center;">■ Within Budget (Y) ■ Overbudget (N) ■ To be determined</p>  <table border="1" style="margin-left: auto; margin-right: auto;"> <caption>Traded Audits Completed within Budget</caption> <thead> <tr> <th>Category</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>Within Budget (Y)</td> <td>10</td> </tr> <tr> <td>Overbudget (N)</td> <td>15</td> </tr> <tr> <td>To be determined</td> <td>3</td> </tr> </tbody> </table>		Category	Count	Within Budget (Y)	10	Overbudget (N)	15	To be determined	3
Category	Count								
Within Budget (Y)	10								
Overbudget (N)	15								
To be determined	3								
To complete 100% of audits in progress from 2018/19 during the first half of the year.	Achieved								

Productivity for NAS for audit opinion work – target 67%	Achieved - Currently 66%
Client Satisfaction Emails (positive, negative, neither positive or negative)	7 - positive 1 – neither positive or negative feedback 0 – negative
Audit work at draft report stage at year-end – target 9	Not achieved - 7 were at draft report stage
Audit work at final report stage at year-end – target 15	Achieved – 15
Audit in progress at year-end - target 7	Achieved - 6

6.2 Traded audits for schools were largely not completed to the agreed cash budget due to the training of our Trainee Auditor Apprentice and Audit Assistant in these audits. In total, we completed slightly less school and opinion audits within the agreed cash budget than last year: 46% (2019/20 compared to 51% (2018/19).

6.3 Regarding the target for issuing draft reports within 10 days, although not achieved, we were very close to achieving this for school draft reports and in total, we have issued more opinion and school draft reports within 10 days than last year: 66% (2019/20) compared to 26% (2018/19).

Norfolk Pension Fund

6.4 Out of the five audits, four were completed within +/- 5% of the cash budget, with all five audits coming in within the total budget for Norfolk Pension Fund.

6.5 Out of the five audits, three draft reports were issued within ten days of the feedback meeting.

6.6 All the audits have been completed for 2019/20.

Grant certifications

6.7 Charges are made for EU grant certifications, UK Government grant certifications for internal clients and grants certifications for external clients. Budgets were set for all our grant certification work this year and so far, all but one grants certifications have been completed within the budgeted cost. All of our grant certifications were delivered on time.

Other work

6.8 All our actual time spent on delivering audit work for EIFCA is charged to the client.

7. Financial Implications

7.1 The expenditure falls within the parameters of the Annual Budget agreed by the Council. Our work provides assurance on the systems and internal controls that manage £1.405 billion of Gross Revenue expenditure, £145 million Capital programme and £977 million of assets.

- 7.2 The costings for NAS remains unchanged, subject to any savings that the Committee may agree in year, no further savings are proposed for 2020/21. The overall resourcing levels remain unchanged. We will actively maintain traded services and pursue new opportunities when they arise.

8. Issues, risks, staffing and innovation

Issues

- 8.1 There are no issues to report.

Risk implications

- 8.2 If we are unable to provide an annual opinion, then the Council may be unable to conclude on the adequacy and effectiveness of its framework for risk management, governance and control.

Staffing

- 8.3 During 2019/20 we have had three staff undertaking different level apprenticeships within the team. One has successfully completed the level 4 Internal Audit Practitioner apprenticeship and the other two are still progressing with their level 7 apprenticeship studies.

Innovation

- 8.4 The Internal Audit Planning seeks to apply innovative practices, methodology, partnering and resourcing where possible, ensuring that relevant standards are maintained and that value for money is demonstrated.
- 8.5 Examples of such innovation include how we resource the audit plan through the in-house team, use of agency staff and contracting our external contractor, BDO to provide resilience and flexibility in audit delivery. We have this past year also commissioned Socitm Advisory to undertake a review of our Information Management Governance Framework arrangements and will continue to use such a model in the future.

9. The Council's Financial Statements and Fraud (ISA 240)

- 9.1 During the year NAS has reviewed the internal controls of some of the Council's main financial systems, expenses, credit control and payroll. That work, and the assurance it provides, helps the Audit Committee to reasonably assess the risk that the Council's Financial Statements are not materially misstated due to fraud.
- 9.2 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.

- 9.3 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. Therefore, the Audit Committee will be 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.
- 9.4 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. Therefore, the Audit Committee is aware of the arrangements in place for Executive Directors to report fraud to the Committee. The Audit Committee has knowledge of actual or suspected fraud and the actions that Chief Officers are taking to address it when required.
- 9.5 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 Audit 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 (to be updated 2020/21 following the launch of the national strategy 'Fighting Fraud and Corruption locally').
- 9.6 This Committee also receives this Annual Internal Audit Report, Risk Management reports and other reports giving assurance on the adequacy and effectiveness of risk management and internal control, anti-fraud and corruption measures and of the Council's governance and value for money arrangements. These assurances support the AGS that this Committee considers and approves. Therefore, the Audit Committee oversees management arrangements for identifying and responding to the risks of fraud and the establishment of internal control.

10. Background papers

- 10.1 The background papers relevant to this report is the Master Work Plan and Performance Management radar charts and reports.

Officer Contact

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

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

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Audit Committee

Item No: 7

Decision making report title:	Risk Management Annual Report 2019/20
Date of meeting:	30th July 2020
Responsible Cabinet Member:	N/A
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services
Is this a key decision?	No

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 to fulfil the Financial Regulations, as set out in the Council's [Constitution](#) (Appendix 15). The policy and framework of procedures comply with the Accounts and Audit (England) Regulations 2015 (as amended in 2020) (Part 2, Internal Control 3(c)) and the Public Sector Internal Audit Standards.

The Covid-19 outbreak, which started in late 2019 and developed rapidly during early 2020, meant that the Council deployed the Civil Contingencies Act 2004 ^[1] provisions and in order to follow government guidance on remote working and social distancing suspended Council meetings. In May the Council successfully deployed remote Council meetings for [Cabinet](#) and [Scrutiny](#) meetings. Decisions have been taken by Cabinet Portfolio Holders or the Head of Paid Service, as allowed for in the Council's Constitution. Business and officer meetings, briefings, communication and training continued successfully in a virtual format exploiting and leveraging the Council's Microsoft TEAMS facilities. The system has shown capacity for over 3,000 simultaneous remote users. The Government passed a Coronavirus Act 2020 in March 2020 and has subsequently issued supporting regulations. The Council has participated in the Norfolk Resilience Forum and has held effective Gold and Silver meetings daily throughout the outbreak, including for risk management. A detailed report on the Covid-19 response and the financial implications was reported to Cabinet on Monday 11 May 2020. The report can be found at this [link](#).

Councils are category one responders under the Civil Contingencies Act 2004, which sets out the legislative framework for responding to emergencies such as the Covid-19 outbreak. As part of the local resilience forum councils work with local partner organisations to plan and activate emergency responses and there are established officer-led processes for leading the strategic (gold), tactical (silver) and operational (bronze) responses under the 2004 Act.

The Chief Internal Auditor reviews the effectiveness of the system of internal control, including risk management, throughout the year and reports annually to the Audit

Committee. Due to the suspension of Council meetings the 9th April 2020 Audit Committee was cancelled. The Chief Internal Auditor reports that, the system of internal control, including the arrangements for the management of risk during 2019-20, was acceptable and therefore considered sound.

Recommendations

To consider and agree these key messages from the Annual Risk Management 2019/20 Report (Appendix A):

- The overall opinion on the effectiveness of Risk Management for 2019/20 is 'Acceptable' and therefore considered 'Sound' (part 3 of the report)
- The Risk Management Function complies with the Accounts and Audit (England) Regulations 2015 (as amended in 2020) and recognised Public Sector Internal Audit standards.
- The Annual Governance Statement for 2019/20 will refer to this report and is also reported to this Committee for its approval.
- The corporate risks were refreshed in July 2019 and represent the most significant risks to the Council for the financial year 2019/20.
- The Risk Management Policy and accompanying procedures have been refreshed to incorporate the change to the Cabinet model.
- That whilst the implications of COVID-19 became apparent late in the financial year 2019/20, it is considered largely outside of the scope of this annual report, except for section 7, which looks ahead to the financial year 2020/21. The risk implications of, and risk response to, COVID-19 will be reported in more detail separately.

1. Background and Purpose

- 1.1. The report at **Appendix A** provides Members of the Audit Committee with further information on risk management for the financial year 2019-20, incorporating the main changes that have occurred within the year. This report is separate to the report detailing risk management for the last quarter of 2019-20.

2. Proposals

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

3. Impact of the Proposal

- 3.1. The impact of the points noted in the recommendation above is detailed in **Appendix A**.

4. Evidence and Reasons for Decision

- 4.1. Whilst there is no decision to make, evidence to support the Risk Management Function's work over the last annual year is presented at **Appendix A**.

The key messages are reported in the Executive Summary above.

5. Alternative Options

- 5.1. As no decision is being made, no alternative proposals are put forward.

6. Financial Implications

- 6.1. In 2019/20, the Risk Management Function was delivered within the budget allocated for the year. There are no financial implications for the Risk Management Function for 2019/20.

7. Resource Implications

- 7.1. **Staff:** There are no staff resource implications to report.

- 7.2. **Property:** There are no property implications to report.

- 7.3. **IT:** There are no IT implications to report.

8. Other Implications

8.1. Legal Implications

There are no legal implications to report.

8.2. Human Rights implications

There are no human rights implications to report.

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

There is no equality impact assessment required for this report.

8.4. Health and Safety implications (where appropriate)

There are no legal implications to report.

8.5. Sustainability implications

There are no sustainability implications to report.

8.6. Any other implications

There are no other implications to report.

9. Risk Implications/Assessment

9.1. The risk implications and assessment for the financial year 2019-20 can be viewed in Appendix A.

10. Select Committee comments

10.1. There are no Select Committee comments to report.

11. Recommendations

11.1 **To consider and agree these key messages from the Annual Risk Management 2019/20 Report (Appendix A):**

- **The overall opinion on the effectiveness of Risk Management for 2019/20 is 'Acceptable' and therefore considered 'Sound' (part 3 of the report)**
- **The Risk Management Function complies with the Accounts and Audit (England) Regulations 2015 (as amended in 2020) and recognised Public Sector Internal Audit standards.**
- **The Annual Governance Statement for 2019/20 will refer to this report and is also reported to this Committee for its approval.**
- **The corporate risks were refreshed in July 2019 and represent the most significant risks to the Council.**
- **The Risk Management Policy and accompanying procedures have been refreshed to incorporate the change to the Cabinet model.**
- **That whilst the implications of COVID-19 became apparent late in the financial year 2019/20, it is considered outside of the scope of this annual report, except for section 7, which looks ahead to the financial year 2020/21. The risk implications of, and risk response to, COVID-19 will be reported in more detail separately.**

12. Background Papers

12.1. There are no background papers to note as part of this report.

Officer Contact

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

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Appendix A

**Annual Risk Management Report
2019 – 2020
Assistant Director of Finance (Audit) &
Risk Management Officer
Norfolk Audit Services**

Norfolk Audit Services

Contents

- 1 Introduction
- 2 The Council's Priorities
- 3 Key Messages and Risk Management Opinion
- 4 Areas of Good Practice
5. Our Outputs – Risk Management Work
6. Developments of the Risk Management Function in 2019/20
7. Developments of the Risk Management Function for 2020/21
8. Further Information (including Covid-19 risk considerations)
9. Acknowledgements
- Appx. 1

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 Cabinet, 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 2019/20 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 2019-20 (see part 4)
- Developments in the Service in 2019/20 (see part 5) and planned development areas for 2020/21 (see part 6)
- Other relevant information, including Covid-19 Risk Management considerations (see part 7).

2 The Council's Ambitions

2.1 The Council introduced its vision during the year, 'Together, for Norfolk'.

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

- Offering our help early to prevent and reduce demand for specialist services
- Joining up our work so that similar activities and services are easily accessible, done well and done once
- Being business-like and making best use of digital technology to ensure value for money
- Using evidence and data to target our work where it can make the most difference

These principles frame the transformation that we must lead across all our services and activities.

2.2 The Risk Management Function's work has understood (1.1) and contributed to the Council's ambitions during 2019/20, 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 to Cabinet. 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 2019/20 are:

- The Council's system of Risk Management during 2019/20 was sound, adequate, and effective in accordance with the requirements of the Accounts and Audit (England) Regulations 2015, (as amended in 2020). These requirements state that "a relevant authority must ensure that it has a sound

system of internal control which includes effective arrangements for the management of risk”.

- The Risk Management Function has been a catalyst for improvement of risk management, added value, forward looking (1.1) and has operated within the approved budget for 2019/20.
- ‘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 Areas of Best Practice

Risk Reporting Best Practice

The Alarm risk reporting guide published in December 2019 includes details on the latest best practice for risk reporting. This best practice has been summarised in the table in **Appendix 1** at the foot of this report and compared to the reporting arrangement for the County Council in 2019/20.

5 Our Outputs – Risk Management Work

- 5.1 The Risk Management Function has delivered quarterly Risk Management reports for Cabinet in 2019/20, covering corporate risks, reported and presented to both Cabinet and the Audit Committee.
- 5.2 In July 2019, a risk workshop was carried out to further identify and develop risks facing Children’s Services, both at departmental and service level. Subsequently, these are being managed on the Children’s Services departmental risk register, and service risk registers as appropriate.
- 5.3 In August 2019, the Risk Management Policy and accompanying procedures were refreshed to reflect the transferral from a committee system to a Cabinet system.
- 5.4 A summary of departmental risks was also presented to Cabinet in April 2020, providing a snapshot of what risks were being managed at departmental level, supporting the corporate risks.
- 5.5 Risk management reporting has been developed, not only in standard corporate risk management reports, but also other reports containing the

standard risk section within them, where risks are noted around key decisions being made.

- 5.6 The Risk Management Policy has continued to act as a valuable tool over the year in the embedding and implementation of risk management within the Council. The accompanying risk management procedures have also been added to and revised as necessary following feedback sought on them, as well as organisational change. These have been available for all staff to view and refer to on the Risk Management intranet page.
- 5.7 Over the last financial year 2019/20, the Risk Management Officer has remained a Member of Alarm (Association of Local Authority Risk Managers), and the IRM (Institute of Risk Management). Training and continued professional development was fulfilled.

6 Developments of the Risk Management Function in 2019/20

- 6.1 In 2019/20, risk management reporting has been developed to adapt to the organisational change in moving to a Cabinet system of reporting. Risk reports have been presented on a quarterly basis to Cabinet and Audit Committee, with active prior input from risk owners, reviewers, and the newly established Corporate Board from early 2019.
- 6.2 The Risk Management Officer has continued to advise risk coordinators and risk owners / reviewers on the Risk Management Policy and procedures, and where improvements to reporting their risks could be made.
- 6.3 The Risk Management Function has strengthened its' working relationship with risk coordinators and senior management teams across the Council through attendance at more Senior Management Team meetings by the Risk Management Officer.

7 Developments of the Risk Management Function for 2020/21

- 7.1 At time of writing, the Council is currently working through the response to COVID-19. The Risk Management Function is actively involved in this and will continue to support the Council's departments with the risks being treated going forward into the re-starting and recovery phase to this pandemic.

- 7.2 An annual review of the Council's generic corporate risk register is currently planned for Autumn 2020 aligning with developments planned in the performance management framework.

8 Further information

- 8.1 This Risk Management annual report will be referenced in the Council's Annual Governance Statement for 2019/20, which will be reported to this Committee alongside this report.

9 Acknowledgements

- 9.1 We would like to thank Members of the Audit Committee, Corporate Board, managers and officers for their co-operation and assistance during the year.

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Norfolk Audit Services

Annual Risk Management Report 2019-20

Appendix 1

Area of Good practice	Detail of good practice	How are we performing	Possible improvements
Risk reporting format	<ol style="list-style-type: none"> 1. Stylised infographics and visual representations should be considered for use and include colour coding and description of risks. The use of a traffic light system so that critical, red risks are easily identifiable. 2. Reporting for each risk should include mitigation activity, a chart detailing the inherent residual and target risk score, chart on impact, uncertainty and an idea of trend. 3. Risk reporting should be balanced across departments and contextualised to help decision making. 4. Risks should be grouped together to show common themes 5. Risk registers should be concise. Focussing on the top risks across the organisation (eight to ten risks is beneficial). A board or committee should not be distracted by departmental risks. Organisations should consider the principle risks and develop a framework. 	<ol style="list-style-type: none"> 1. Met - Standardised risk registers use traffic light ratings to easily identify the severity of risks. At corporate level and for Audit Committee we also have a heat map showing the scoring and severity of risks. 2. Met - Each risk on the register includes mitigation activity, current status of activity and residual risk score. All risks on the register have a target risk score, impact score and likelihood score. There is a consistent risk scoring criteria set out in both the risk scoring procedure and risk registers. The heat map included in the risk report to Audit Committee gives a direction of travel as to whether the risk is increasing or decreasing. There is also a 'key messages' section in the risk reporting detailing all corporate risk score changes. 3. Met - Risk registers are in place at both departmental and corporate level. Some departmental risks are considered to be corporately significant and are therefore included on the Corporate Risk Register. The Risk Management Officer facilitates the monitoring of all registers with agreement from Corporate Board for risk to be added to the corporate register. Risks are currently not grouped by theme. They are added to the register as they occur and kept in chronological order. 4. Met - The Corporate Risk Register currently contains 19 risks. The number of corporate risks could be acceptable due to the scope of services the County Council is responsible for. 	<ol style="list-style-type: none"> 1. Heat map to be applied to other reporting (not just Audit Committee) 2. Risk could be broken down into common themes (financial risks) reputational Risks). 3. The number of corporate risks to be assessed to confirm if they are manageable at this level.

Norfolk Audit Services

Annual Risk Management Report 2019-20

Area of Good practice	Detail of good practice	How are we performing	Possible improvements
Frequency of risk reporting	<ol style="list-style-type: none"> 1. Timeliness of risk reporting is critical. A quarterly report that provides concise timely and good quality information should also be accompanied by real time risk reporting so executive decision makers can respond quickly to emerging risks. 2. A process should be in place to ensure real time risk reporting is captured appropriately and reported at the next 'standard' reporting point. 	<ol style="list-style-type: none"> 1. Met - The Risk Management Officer facilitates the reporting of risks at both a corporate and departmental level. Corporate Risk reports are taken to Cabinet on a quarterly basis. Departmental registers are viewed at a minimum quarterly by Executive Directors. Departments take a proactive approach to risk reporting and are responsible for identifying their own risks and adding them to their risk registers in real time. A risk will be added to the corporate risk register as soon as it is identified as needing to be added, for consideration by Corporate Board, who in turn will recommend to Cabinet if agreed that it sits at corporate level. 2. Met - Risks are added to registers when they are identified and are then reported on as part of the quarterly reporting. 	
Communicating risk effectively	<ol style="list-style-type: none"> 1. Well established communications of risk at operational, management and executive levels. A tiered approach to risk reporting should be considered. 2. Risk escalation policy and categories of risk should be developed so that relevant risk is taken to the correct board. Data should be manipulated for different audiences. 3. Relevant material is shared before any risk reporting so that executive members can understand the nature of the risk, how it is being managed as well as the current appetite and tolerance. (this 	<ol style="list-style-type: none"> 1. Met - A tiered approach to risk reporting is in place. Risk registers are in place at both departmental and corporate level. Some departmental risks are considered to be corporately significant and are therefore included on the Corporate Risk Register which the Corporate Board reviews with advice to Cabinet. The Risk Management Officer coordinates the Corporate Risk Register making sure the right people are made aware and updates are added timely. 2. Met - There is a consistent risk scoring criteria set out in both the risk scoring procedure and risk registers. A risk escalation procedure is in place. The Risk Management Officer sense checks registers to identify any anomalies and to ensure risks are being appropriately updated. 	<ol style="list-style-type: none"> 1. A deep dive for all red rated risks could be completed on a periodic basis.

Norfolk Audit Services

Annual Risk Management Report 2019-20

Area of Good practice	Detail of good practice	How are we performing	Possible improvements
	<p>point is in relation to a deep dive in the guide)</p> <p>4. A deep dive is a good approach to understand each risk more fully. This approach is useful for risks with a significant impact (Red Rated). A deep dive allows for analysis of the potential impact and how quickly the risk is changing. It allows for deliberation and to seek other opinions on how management is handling a specific risk.</p>	<p>Additional visual representations are provided for Audit committee including a heat map of risks.</p> <p>3. Met - Executive directors are encouraged to share both corporate and departmental risks with relevant portfolio holders (cabinet members). Risk reports are included as part of the agenda for Cabinet, Audit committee and Corporate Board.</p> <p>4. A deep dive approach is not being formally implemented for specific risks at present.</p>	
The role of the Committee	<p>1. Committee members should be engaged in the risk reporting and should be able to challenge risk information that is presented to them.</p> <p>2. A framework of deliberation should be developed. For example, a power of three could be used e.g. Enquire, Deliberate and decide.</p>	<p>1. Met – Cabinet portfolio holders report on their corporate risks to Cabinet quarterly. Members are given the opportunity to challenge risks at Audit Committee (cross party representation) and via the Scrutiny Committee. In recommendation put to members as part of risk reports they are regularly asked to consider and agree the report. This is the framework of what they are asked to do. However, the way they are asked questions is not defined in a power of three.</p>	<p>1. Further training session for committee members could be offered</p>

Audit Committee

Item No 8

Report title:	Norfolk Pension Fund Governance Arrangements 2019-20
Date of meeting:	30 July 2020
Responsible Chief Officer:	Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund

Strategic impact

The Audit Committee requested that the Director of the Norfolk Pension Fund report to Committee outlining the ongoing governance arrangements of the Norfolk Pension Fund.

The Norfolk Pension Fund's governance arrangements are detailed in the Fund's Governance Statement. The Fund prepares and publishes a Governance Compliance Statement, which measures compliance against best practice guidelines. The Fund is fully compliant with legislative requirements, regulatory guidance and recognised best practice in relation to Governance.

Executive summary

Recommendation:

The Audit Committee is requested to consider and agree this report which details to the Committee, Norfolk Pension Fund's governance arrangements, being fully compliant with legislative requirements, regulatory guidance and recognised best practice.

1. Proposal (or options)

- 1.1 The recommendation is set out in the Executive Summary.

2. Evidence

- 2.1 The Fund prepares and publishes a Governance Compliance Statement, which measures compliance against best practice guidelines. The Fund is fully compliant with legislative requirements, regulatory guidance and recognised best practice in relation to Governance.

Pensions Committee

- 2.2 As Administering Authority for the LGPS in Norfolk, and in accordance with legislation, the Council has delegated LGPS pensions' matters to Pensions Committee who have 'quasi trustee' status. The 'quasi' status reflects the fact that individual trustees do not have the same legal status as their private sector counterparts. However, like trustees of private sector pensions schemes, their overriding duty is to ensure the best outcomes for the Pension Fund, its scheme members/beneficiaries and participating employers.
- 2.3 Pensions Committee membership includes representatives of other employers and scheme members, alongside the Council's elected members. This is in compliance with statutory guidelines for LGPS Governance.
- 2.4 The Pensions Committee oversees the management (e.g. administration, strategy and investment) of the Norfolk Pension Fund. Terms of Reference for the Committee, as detailed in Part 4.1 of the Council's Constitution, are as follows:
- 2.5 To administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the Local Government Pension Scheme, and on behalf of Norfolk County Council as an employer within the Scheme alongside all other contributing employers, and on behalf of all scheme members/beneficiaries including:-
- (a) Functions relating to local government pensions etc under regulations made under Sections 7, 12 or 24 of the Superannuation Act 1972.
 - (b) To receive and consider the draft Financial Statements for the Norfolk Pension Fund.
 - (c) To comment on the draft Financial Statements and make a recommendation to the Audit Committee that they be approved/not approved.

Governance Statement and Governance Compliance Statement

- 2.6 Under Regulations 55 of The Local Government Pension Scheme regulations 2013, LGPS administering authorities are required to prepare, publish and maintain statements of compliance against a set of best practise principles on scheme governance and stewardship. These principles are set out in statutory guidance issued by DCLG.
- 2.7 In accordance with this legislation, the Norfolk Pension Fund prepares and publishes each year a Governance Statement and Governance Compliance Statement. Both statements are approved by the Pensions Committee.
- 2.8 The Pension Fund's Governance Statement details roles and responsibilities in relation to the Fund and is attached at **Appendix A**. The Statement is published on the Norfolk Pension Fund website, www.norfolkpensionfund.org

- 2.9 The Fund's Governance Compliance Statement (which measures compliance against best practise guidelines) is attached at **Appendix B**. The Fund's Governance Compliance Statement is incorporated in the published Annual Report and Statement of Accounts. The Norfolk Pension Fund is fully compliant with the principles as set out in the statutory guidance.

Pensions Oversight Board

- 2.10 The Public Service Pensions Act 2013, includes several key provisions relating to the administration and governance of public service pension schemes including the LGPS. Under the provisions of section 5 of the Public Service Pensions Act 2013 and regulation 106 of the LGPS Regulations 2013 (as amended), LGPS funds must set up and operate local pension boards.
- 2.11 In Norfolk the local pension board is referred to as the Norfolk Pension Fund Pensions Oversight Board. The role of the Board is to assist the Norfolk Pension Fund in complying with all the legislative requirements making sure the scheme is being effectively and efficiently governed and managed. The Board's recent programme of work has included:
- Norfolk Pension Fund's internal structure review
 - Investment Pooling (including transition of assets to the ACCESS pool)
 - LGPS reform (including Good Governance Project)
 - Data quality review and action plan
 - 2019 Valuation Employer Engagement Plan
 - MHCLG and SAB consultations (including Fair Deal, Asset Pooling Guidance, Responsible Investment Guidance).
 - Scheme Member and Scheme Employer experience
 - Review of the Pension Fund website
 - Audit reports (NAS)
- 2.12 The Terms of Reference for the Norfolk Pension Fund Pensions Oversight Board and minutes of meetings can be found at [Pension Board TOR and minutes](#).
- 2.13 The Pensions Oversight Board has an equal number of employer representatives and scheme member representatives. In addition, an independent chairman has been appointed to oversee the smooth running of the board.

Other Governance Arrangements

- 2.14 The governance arrangements of the Norfolk Pension Fund are further supported by:
- Norfolk Audit Services undertaking internal audits in accordance with an annual internal audit plan agreed by Pensions Committee, which provide assurances on the adequacy and effectiveness of internal controls and risk management for the Pensions Committee.
 - The work undertaken by External Audit (Ernst and Young) and detailed in the annual external audit plan noted by Pensions Committee, to provide an audit

opinion on whether the financial statements of the Norfolk Pension Fund provide a true and fair view of the fund's financial position at year end.

- 2.15 Upon completion of the audit of financial statements, the External Auditor will produce a report (ISA 260 – Communication with those charged with Governance), which may include any specific matters of governance which have come to his attention in performing the audit. The Chair of Audit Committee, the Chair of Pensions Committee and Executive Director of Finance and Commercial Services, will draft a letter of representation to the External Auditor highlighting any matters material to the financial statements and possible non-compliance with laws and regulations. The Chair of Audit Committee, the Chair of Pensions Committee and Executive Director of Finance and Commercial Services countersigns the letter on behalf of “those charged with governance”.
- 2.16 The appointment of Ernst and Young to the Pension Fund is separate from their appointment to the County Council.

LGPS Pooling of Investment Assets

- 2.17 The Government requires regional LGPS Funds to work together to “pool investments to significantly reduce costs, while maintaining investment performance”.
- 2.18 Since December 2016, the Norfolk Pension Fund has been working with 10 other ‘like-minded’ Administering Authorities to form 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. Together the 11 Funds have investment assets of approximately £44 billion (31 March 2020).
- 2.19 Investment pooling is intended to create the scale that will enable access to lower investment manager fees and deliver cost savings to the LGPS. In a pooled investment structure individual funds, like Norfolk, are still responsible for their own investment strategy and asset allocation.
- 2.20 To facilitate pooling, the ACCESS funds jointly drafted a legally binding Inter Authority Agreement (IAA) setting out the governance arrangements for the pooling of investments. Approval for the Norfolk Pension Fund to enter into the IAA for the pooling of assets was given by Norfolk County Council on 20th February 2017.
- 2.21 The ACCESS Pool is governed by a Joint Committee (JC) constituted under s101 of the Local Government Act 1972 and made up of the Chairs from the 11 Pension Committees.
- 2.22 The ACCESS authorities have appointed LINK Fund Solutions Ltd as the Pool's Financial Conduct Authority (FCA) authorised Operator. The Operator is responsible for selecting and contracting with investment managers on behalf of the authorities participating in the Pool.
- 2.23 To date, ACCESS Funds have collectively pooled around £25bn of investments assets, with Norfolk having pooled assets of around £1bn. Over the course of the next 12 to 18 months, further equity and bond sub-funds will continue to be

added by the Operator to provide Norfolk and the other ACCESS Funds with a diversified range of investment sub-funds. Work is also ongoing on Pool solutions for alternative assets including private equity, private debt, real estate and infrastructure.

- 2.24 A key element of ACCESS's governance arrangements focus on the robust management of the Operator contract. The ACCESS authorities hold the Operator to account via the JC which is supported by an ACCESS Support Unit hosted by Essex County Council.
- 2.25 An overview of ACCESS's governance structure is attached at **Appendix C**.

3. Financial Implications

- 3.1. The expenditure falls within the parameters of the Annual Budget agreed by the Pensions Committee.

4. Issues, risks and innovation

- 4.1 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.

- 4.2 Internal Controls, including those assessed under the use of resources, help by aiming to deter crime, or increase the likelihood of detection through making crime difficult, increasing the risks of detection and prosecution and reducing rewards from crime.

4.3 Other resource implications

There were no other resource implications arising from this report.

4.4 Legal implications

There were no legal implications arising from this report.

4.5 Risk implications

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.

4.6 Equality implications

The Norfolk Pension Fund has considered the impact of the changes in service delivery as a result of the global pandemic. There are no issues relevant to equality in this report.

4.7 Human rights implications

There were no human rights implications arising from this report.

4.8 Environmental implications

There were no environmental implications arising from this report.

4.9 Health and safety

There were no health and safety issues arising from this report.

5. Background

- 5.1 The Local Government Pension Scheme (LGPS) is a national scheme, which is governed by statute to meet the pension requirements of Local Government and other associated employers. Although the LGPS is a national scheme, it is administered locally (through 89 Funds across England and Wales which have local accountability). The Scheme has its own Regulator, the Ministry of Housing, Communities and Local Government Department (MHCLG).
- 5.2 In Norfolk, the LGPS is administered by Norfolk County Council (NCC) and delivered through the Norfolk Pension Fund. The Fund is a multi-employer arrangement which currently has over 400 participating employers.
- 5.3 The Norfolk Pension Fund is maintained separately from NCC. It has a separate bank account, ring fenced assets, a separate budget funded from its own resources and produces its own Statement of Accounts and Annual Report. The Pension Fund accounts are in addition to the statutory disclosures made in NCC's Statement of Accounts.

Officer Contact

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

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Norfolk Pension Fund

This document sets out the
Governance arrangements
for the
Norfolk Pension Fund
as at June 2020



Governance Statement June 2020

Administering Authority

Norfolk County Council (NCC) is the **Administering Authority** of the Norfolk Pension Fund and administers the Local Government Pension Scheme (LGPS) on behalf of participating employers and scheme members.

- Norfolk County Council has delegated its pensions functions to the **Pensions Committee**
- Norfolk County Council has delegated responsibility for the administration and financial accounting of the Norfolk Pension Fund to the **Executive Director of Finance and Commercial Services**
- The **Norfolk Pension Fund Pensions Oversight Board** acts as the **Local Pension Board** for the Norfolk Pension Fund

Pensions Committee

The Pensions Committee is responsible for the strategic management of the assets of the Fund and the administration of benefits. The Pensions Committee meets quarterly in order to:

- Ensure compliance with legislation and best practice
- Determine policy for the investment, funding and administration of the Fund
- Monitor performance across all aspects of the service
- Consider issues arising and make decisions to secure efficient and effective performance and service delivery
- Appoint and monitor advisors
- Ensure that arrangements are in place for consultation with stakeholders as necessary



Pensions Committee Trustees*

- The Pensions Committee act as Trustees and oversee the management of the Norfolk Pension Fund
- As Trustees, their overriding duty is to ensure the best possible outcomes for the Pension Fund, its participating employers and scheme members
- Their knowledge is supplemented by professional advice from Pension Fund staff, professional advisers and external experts
- To meet the requirements set out by the Pensions Regulator's Code of Practice, Trustees need a certain level of expertise. An ongoing programme of trustee training is delivered and no substitutions are allowed at Committee

Pensions Committee Membership

There are eight members of the Pensions Committee:

Chairman	Norfolk County Councillor	Judy Oliver
	Norfolk County Councillor	Danny Douglas
	Norfolk County Councillor	Tom FitzPatrick
	Norfolk County Councillor	Martin Storey
	Norfolk County Councillor	Brian Watkins
Vice-Chairman	District Councillor (elected by the Local Government Association)	Alan Waters
	District Councillor (elected by the Local Government Association)	John Fuller
	Staff Representative	Steve Aspin
	Observer**	Open to all participating
Other attendees	Administrator of the Fund (NCC Executive Director of Finance and Commercial Services)	Simon George
	Director of the Norfolk Pension Fund	Glenn Cossey
	Investment Advisor to the Fund (Hymans Robertson)	William Marshall

* Pensions Committee members act as Trustees but do not have legal status as Trustees.

** The observer seat is not currently part of the formal Constitution and does not have voting rights. However, the observer seat is an equal member of the Committee in all other ways, with access to all Committee papers, officers, meetings and training, along with the opportunity to contribute to the decision making process.

Local Pension Board

In line with all public service pension schemes, each Local Government Pension Scheme (LGPS) Fund is required to have a Local Pension Board.

The Local Pension Board for the Norfolk Pension Fund is called the **Norfolk Pension Fund Pensions Oversight Board**.

Role of the Pensions Oversight Board

The role of the **Pensions Oversight Board**, as defined by Regulation 106 of the Local Government Pension Scheme Regulations 2013, (“the Regulations”) is to:

- Assist the **Administering Authority** to secure compliance with:
 - the Regulations and any other legislation relating to the governance and administration of the Local Government Pension Scheme (LGPS);
 - requirements imposed in relation to the LGPS by the Pensions Regulator (tPR); and
 - such other matters as the LGPS regulations may specify
- Assist the **Administering Authority** to ensure the effective and efficient governance and administration of the Norfolk Pension Fund
- Provide the **Administering Authority** with such information as it requires ensuring that any member of the **Pensions Oversight Board** or person to be appointed to the **Pensions Oversight Board** does not have a conflict of interest

The **Pensions Oversight Board** also helps ensure that the Norfolk Pension Fund is managed and administered effectively and efficiently and complies with the Code of Practice on the governance and administration of public service pension schemes issued by The Pensions Regulator.

The creation of the **Pensions Oversight Board** does not change the core role of the **Administering Authority** nor the way it delegates its pension functions to the **Pensions Committee**. The **Pensions Oversight Board** does not replace the **Administering Authority** nor make decisions which are the responsibility of the **Administering Authority** under both the Regulations and other relevant legislation.

The **Pensions Oversight Board** only has the power to oversee decisions made by the **Administering Authority** and to make recommendations to improve the efficient and effective administration and governance of the pensions function, including funding and investments.

The full **Terms of Reference** for the **Pensions Oversight Board** are on the Norfolk Pension Fund website at www.norfolkpensionsfund.org.

Pensions Oversight Board Membership

The **Pensions Oversight Board** has an equal number of scheme member and scheme employer representatives (three of each), along with an Independent Chairman:

Independent Chair	Brian Wigg
Scheme Member Representative	John Harries Active/deferred member
Scheme Member Representative	Peter Baker Pensioner member
Scheme Member Representative	Rachel Farmer Trade union
Scheme Employer Representative	Cllr Chris Walker, Poringland Parish Council Levying/precepting employer
Scheme Employer Representative	Howard Nelson, Diocese of Norwich Education and Academies Trust Non-levying/precepting employer
Scheme Employer Representative	Debbie Beck, Norfolk County Council

Pensions Oversight Board members comply with the Norfolk Pension Fund training policy, and training opportunities are as far as possible are shared with the **Pensions Committee**.

Each member of the **Pensions Oversight Board** is responsible for complying with the knowledge and understanding requirements of section 248A of the Pensions Act 2004.

Pensions Oversight Board Meetings

There are at least two **Pensions Oversight Board** meetings a year and it normally meets quarterly.

Papers, agendas and minutes of these meetings are published on the Norfolk Pension Fund website at www.norfolkpensionfund.org.

In addition, the **Pensions Oversight Board** produce an annual report in accordance with any regulatory requirements.

Executive Director of Finance and Commercial Services

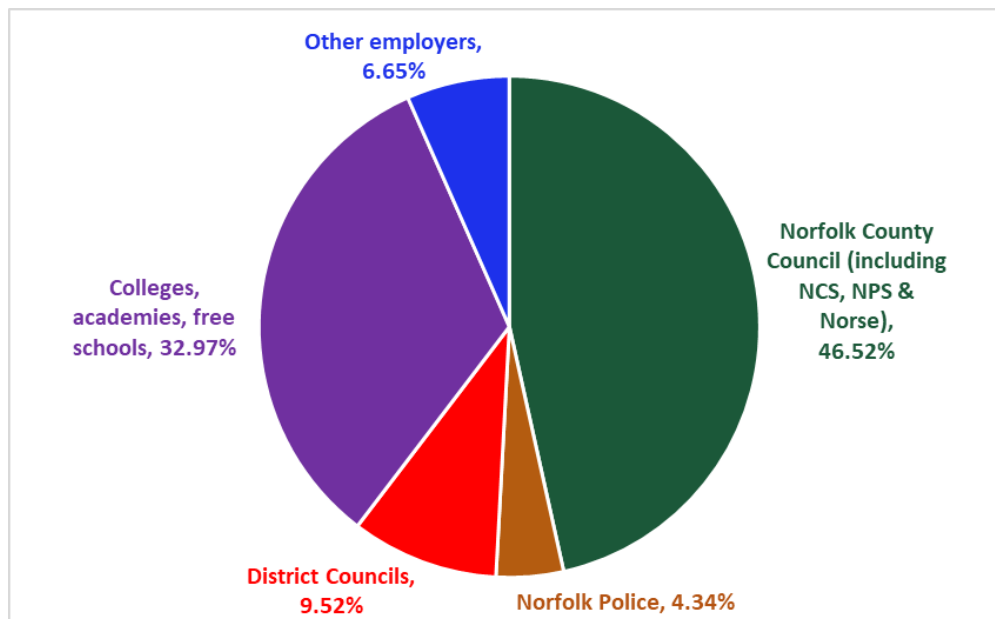
- The **Executive Director of Finance and Commercial Services** is Norfolk County Council's Chief Finance Officer and Section 151 Officer
- As Administrator of the Fund he is responsible for:
 - The administration and financial accounting of the Fund
 - The preparation of the Pension Fund Annual Statement of Accounts

Legislation and Regulations

- The Norfolk Pension Fund administers the Local Government Pension Scheme (LGPS) in Norfolk and is governed by the:
 - Local Government Pension Scheme Regulations 2013
 - Local Government Pension Scheme (Miscellaneous Amendments) Regulations 2014
 - Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
 - Local Government Pension Scheme (Amendment) Regulations 2015
 - Local Government Pension Scheme (Management and Investment of funds) Regulations 2009, and subsequent amendments
- **Pensions Committee** is governed by Norfolk County Council's procedural rules under the Council's Constitution. The Committee's **Terms of Reference** are:
- "To administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the Local Government Pension Scheme, and on behalf of Norfolk County Council as an employer within the scheme alongside all other contributing employers, and on behalf of all scheme beneficiaries (scheme members) including:
 - Functions relating to local government pensions etc under regulations made under Sections 7, 12 and 24 of the Superannuation Act 1972
 - To receive and consider the draft Financial Statements for the Norfolk Pension Fund
 - To comment on the draft Financial Statements and make a recommendation to the Audit Committee that they be approved/not approved"
- Financial affairs are conducted in compliance with Norfolk County Council's Financial Regulations
- Funds are invested in compliance with the Norfolk Pension Fund's Statement of Investment Principles

Membership of the Fund and Local Accountability

Active Membership Breakdown by Employer as at 31 March 2020



Local Accountability - Representation

Employers

- Employers are directly represented on Pensions Committee and the Pensions Oversight Board
- All employers are invited to regular Employer Forums and the Annual Meeting

Scheme Members

- Scheme Members are directly represented on Pensions Committee and the Pensions Oversight Board
- All active and deferred scheme members are invited to the Annual Meeting and Pensions Clinics; retired members are invited to the Retired Members Forum

Membership as at 31 March 2020

414 Contributing Employers

26,343 Pensioners

(members in receipt of a pension from the Fund)

29,317 Active Members

(members who are currently in the employment of a participating employer)

36,700 Deferred members

(members who have left the employment of a participating employer, but who are not yet in receipt of their pension)

Local Accountability - Transparency

- The Fund is committed to providing clear, relevant, accessible and timely information to all stakeholders
- How it does this is set out in the annually updated Customer Care and Communication Strategy Statement. This is on our website at www.norfolkpensionfund.org
- Pensions Committee reports, agendas and minutes are published on the Norfolk County Council website at www.norfolk.gov.uk
- Pensions Committee meetings are open to the public
- Pensions Oversight Board reports, agendas and minutes are published on the Norfolk Pension Fund website at www.norfolkpensionfund.org
- The Annual Pension Fund Report and Accounts, reporting on the activities and investment performance of the Fund, and including the Pensions Oversight Board annual report, are on our website at www.norfolkpensionfund.org
- Payments over £500 are published on the Norfolk County Council website at <https://www.norfolk.gov.uk/what-we-do-and-how-we-work/open-data-fois-and-data-protection/open-data/payments-to-suppliers>
- Extracts from the Annual Report and a signpost to the whole document are included in the Annual Benefit Statement sent to all scheme members, and in Primetime, the annual magazine sent to all retired members
- All scheme members and employers are invited to an Annual Meeting
- All employers and members of the Pensions Committee are invited to our Employer Forums, held twice a year. These are an opportunity for employers to discuss matters of interest to their organisations with officers and members

ACCESS Investment Pool

The Norfolk Pension Fund participates in ACCESS (A Collaboration of Central, Eastern and Southern Shires), an investment asset pool of eleven Administering Authorities within the Local Government Pension Scheme (LGPS).

The ACCESS authorities have signed an Inter Authority Agreement which established a Joint Committee at which the Chair from each Administering Authority Section 101 Committee ('Pensions Committee') is represented.

The Norfolk Pension Fund Pensions Committee and Pensions Oversight Board are regularly updated and review the work of the Joint Committee and the Operator, and ACCESS investment performance.

More information can be found on the ACCESS website at www.accesspool.org.

Norfolk Pension Fund

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Governance Compliance Statement as at May 2020
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

Principle A – Structure

	Not compliant*				Fully compliant
a					√
b					√
c					√
d					√

- a. The management of the administration of benefits and strategic management of fund assets rests clearly with the main committee established by the appointing council.
Full Council have delegated responsibility to Pensions Committee to administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the scheme, and on behalf of NCC as an employer within the scheme alongside all other contributing employers, and on behalf of all scheme beneficiaries (scheme members). The Norfolk Pension Fund is part of the ACCESS investment pool, and is represented at the ACCESS Joint Committee, however all strategic asset allocation decisions remain with the Norfolk Pension Fund Pensions Committee.
- b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.
In addition to the Norfolk County Council members, 2 district councillors elected by the Local Government Association represent the largest group of employers; an additional observer seat is available to all other employers. Scheme members (including active, deferred and retired) are represented at Committee by the Staff Representative. Pensions Committee is observed by members of the Local Pension Board (known locally as the Pensions Oversight Board [POB]), made up of employer and employee representatives.
- c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.
There is no formal secondary committee or panel. Regular employers' forums and other activities detailed within the communication strategy ensure effective communication. The Local Pension Board (known locally as the Pensions Oversight Board [POB]) regularly reports to Pensions Committee and POB members observe all Pensions Committee meetings.
- d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.
No formal secondary committee or panel has been established. However, employers are regularly reminded via the Employers' Forum and Employers newsletters of the observer seat at Committee. Scheme members are reminded that they can observe committee meetings via the annual "Your Pension" booklet

Governance Compliance Statement as at May 2020
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

and also at the Annual Meeting. Some Committee and POB Members also attend Employer Forum meetings and member events

Principle B – Representation

	Not compliant*				Fully compliant
a.i					√
.ii					√
.iii					√
.iiii					√

- a That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:
- i Employing authorities (including non-scheme employers, e.g. admitted bodies)
Two district councillors elected by the Local Government Association represent the largest group of employers. An additional observer is seat available to all other employers. POB: 3 employer representatives; all employers are invited to stand for POB.
 - ii Scheme members (including deferred and pensioner scheme members)
Scheme members (including active, deferred and retired) are represented at Committee by the Staff Representative, who has full voting rights. Scheme members are reminded that they can observe committee meetings via the annual "Your Pension" booklet and also at the Annual Meeting. POB: 3 scheme member representatives; all scheme members invited to stand for election.
 - iii Independent professional observers
Hymans Robertson, as Advisers to the Norfolk Pension Fund, attend Committee; they also attend POB as required.
 - iv Expert advisors (on an ad-hoc basis)
Expert advisors are invited to attend committee and POB as and when necessary.

Principle C – Selection and role of lay members

	Not compliant*				Fully compliant
a					√
b					√

- a That committee or panel members are made fully aware of the status, role and function that they are required to perform on either a main or secondary committee.
In addition to general Councillor Induction for newly elected members, Pensions Committee / POB members are briefed on appointment to Pensions Committee / POB by the Head of Pensions and senior officers. Other elected members who do not sit on Pensions Committee are briefed as required / requested.
- b That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.

Governance Compliance Statement as at May 2020
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

This is a standing agenda item for each committee and POB meeting.

Governance Compliance Statement as at May 2020
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

Principle D – Voting

	Not compliant*				Fully compliant
A					√

- a The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.
Voting rights are set out in the Norfolk Pension Funds Governance statement which is published on the Funds website, www.norfolkpensionfund.org. All members of Pensions Committee have voting rights, including the Staff Representative. All Employer and Scheme member representatives on POB have voting rights.

Principle E – Training / facility time / expenses

	Not compliant*				Fully compliant
A					√
B					√
C					√

- a That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.
We use Norfolk County Councils' generic elected member remuneration policy, which includes Travel and Subsistence allowances. POB members can claim travel and Subsistence costs incurred. In addition, the Fund maintains a training budget for Pensions Committee and POB for the delivery of our on-going members training programme, and related expenses.
- b That where such a policy exists it applies equally to all members of committees, sub-committees, advisory panels or any form of secondary forum.
All relevant individuals / bodies are treated equally, for example the Staff Representative, members of the Pensions Oversight Board (Local Pension Board).
- c That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.
Committee member and POB training needs are considered alongside the 12 month committee agenda planning process. However, training is business driven and therefore the programme is flexible. This allows us to align training most effectively with operational need / current agenda items, and therefore support member decision making. Regular Member training is supplemented by attending LGA and other associated events, as well as an annual (more frequently if required) comprehensive bespoke Knowledge and Understanding event, talking to leading experts about all aspects of LGPS Investment and Governance and current issues. A Training Log is maintained.

Governance Compliance Statement as at May 2020
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

Principle F – Meetings (frequency / quorum)

	Not compliant*				Fully compliant
a					√
b					√
c					√

- a That an administering authority's main committee or committees meet at least quarterly.
The Pensions Committee meets quarterly.
- b That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.
There is no formal secondary committee or panel. The Employers' Forum meets regularly, planned around operational requirements; POB meets regularly, aligned to Committee timetable.
- c That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.
A Staff Representative (who represents all current, deferred and retired scheme members) sits on Pensions Committee. An Observer Seat at Committee is also available to Employers not directly represented, and Employers are reminded of this at Forums and via other publications. In addition, regular Employers' Forums and Retired Members annual events are held. Pensions Clinics for all scheme members (including Deferred) are held regularly and an Annual Meeting is offered. The Pensions Oversight Board (Local Pension Board) has equal employer /scheme member membership.

Principle G – Access

	Not compliant*				Fully compliant
a					√

- a That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.
All committee and POB members have equal access to committee papers, documents and advice. Public Minutes of Committee Meetings are published on Norfolk County Councils website:
http://norfolkcc.cmis.uk.com/norfolkcc/Committees/tabid/62/ctl/ViewCMIS_CommitteeDetails/mid/381/id/30/Default.aspx
POB minutes are published on the Norfolk Pension Fund's website:
<https://www.norfolkpensionfund.org/governance/local-pension-board/>

Governance Compliance Statement as at May 2020
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

Principle H – Scope

	Not compliant*				Fully compliant	
a						√

- a That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.

The Norfolk Pension Fund adopts a holistic approach to pension fund management. Pensions Committee is responsible for all aspects of the management of the pension fund (investment and administration) and delivery of its services, including all relevant budgets, strategies and service planning.

Principle I – Publicity

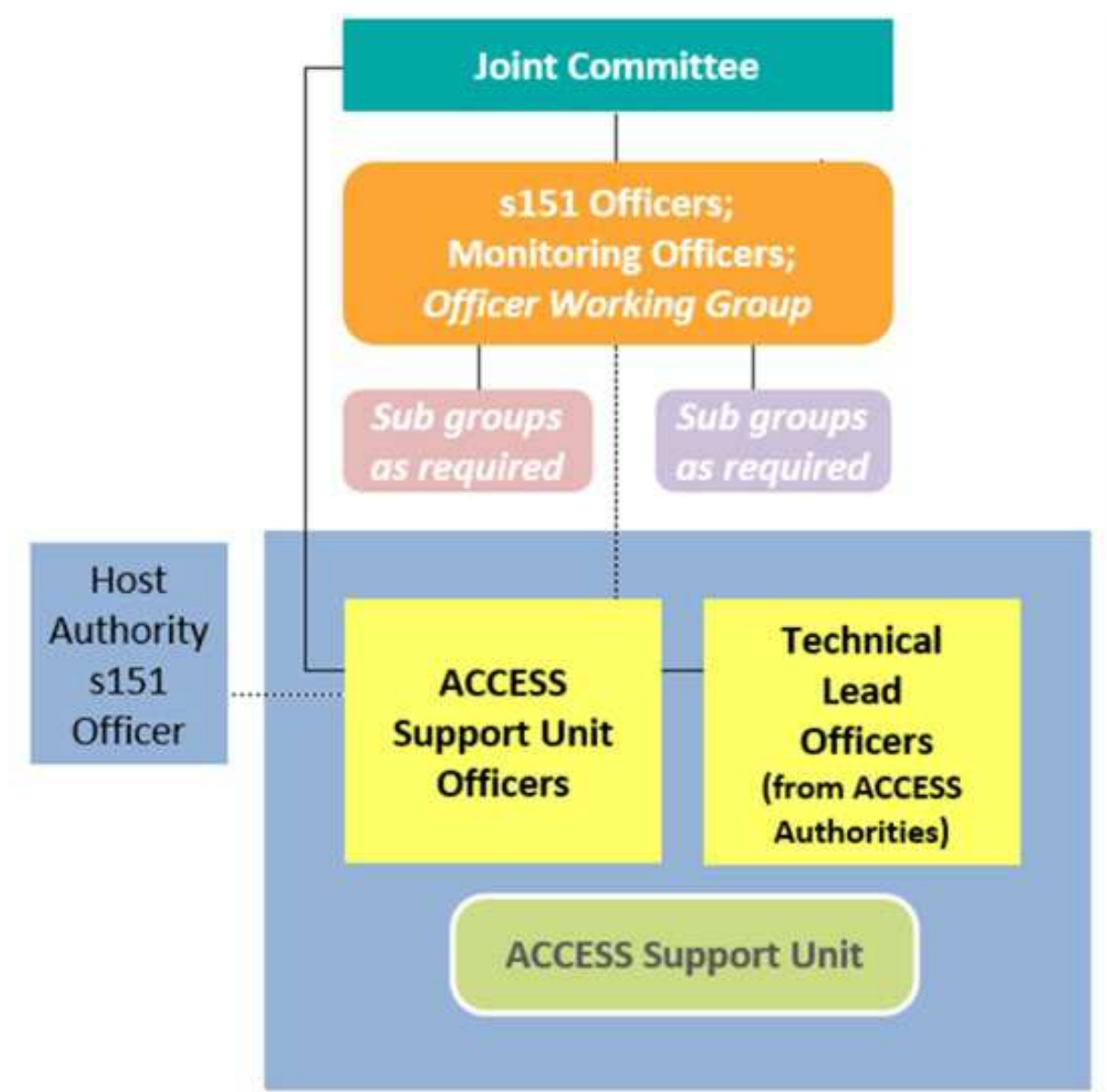
	Not compliant*				Fully compliant	
a						√

- a That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.

The Norfolk Pension Funds' Governance Statement and Communication and Customer Care Strategy are published on the Funds' website www.norfolkpensionfund.org, and included within the Pension Fund Annual Report (which is also published on our website), with hard copies of each available on request. Employers are reminded via the Employers Forum and Employers Newsletters that there is an observer seat at Committee for Employers not directly represented. Scheme Members receive an annual booklet with news of the Funds performance, legislative changes and other relevant pension's news, and are invited to a formal annual meeting. Retired members are invited to the annual retired members' events, and also receive an annual newsletter. All scheme members and employers are invited to stand for membership of the Pensions Oversight Board (Local Pensions Board).



Pool Governance Structure



Audit Committee

Item No 9

Report title	Governance, Control and Risk Management of Treasury Management
Date of meeting	30 July 2020
Responsible Cabinet Member	Cllr Andrew Jamieson (Cabinet Member for Finance)
Responsible Director	Executive Director of Finance and Commercial Services
Introduction The Audit Committee's Terms of Reference state that it is responsible for 'considering the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensuring that they meet best practice. The purpose of this report is to provide assurance to the Committee as to the adequacy and effectiveness of these arrangements Executive summary This report demonstrates that appropriate arrangements are in place, reflecting best practice, which can assure the Committee that there are effective governance, control and risk management arrangements in respect of Treasury Management. Actions Required Consider and agree this report which provides assurance to the Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management.	

1. Background and Purpose

- 1.1. The Audit Committee's Terms of Reference state that it is responsible for 'considering the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensuring that they meet best practice.
- 1.2. Treasury management in local authorities is tightly regulated. Specific policy and operational guidance on governance, control and risk management is contained within professional codes of practice, with overarching statutory and regulatory guidance drafted by the Government.
- 1.3. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in the Public Services (the Code) defines treasury management activities as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.4. Specific policy and operational guidance is contained in professional codes of practice, with overarching statutory and regulatory guidance drafted by the Government. This framework of regulation and codes of practice provides the basis for the governance and reporting of treasury management activities in local authorities.
- 1.5. Statutory and regulatory guidance is provided by the Local Government Act 2003 and the Government's Investment Guidelines 2010 (Revised). Codes of best practice include the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice and the Prudential Code. The Council adheres to all these in the way it manages its treasury services.
- 1.6. CIPFA's Code of Practice for Treasury Management in the Public Services (the Code) recommends the adoption of four key clauses as part of financial regulations and procedures. CIPFA's latest version of the Code was released in December 2017. The specific clauses and policy statements remain unchanged from the 2011 Code, and in turn the 2009 Code which the County Council adopted in February 2010 as part of its financial regulations and procedures. These recommended clauses are incorporated in Section 4.7 of the Council's Financial Regulations.
- 1.7. Complementary to the CIPFA Treasury Management Code, the Government's Investment Guidelines require the full Council to approve an Annual Investment Strategy.

- 1.8. In December 2008, following the collapse of Icelandic banks in October 2008, the then Cabinet approved the establishment of a cross-party Member Panel with specific responsibilities for Treasury Management. The Panel's responsibilities include:
- Consider and comment on the draft Annual Investment and Treasury Strategy prior to its submission to Cabinet and full Council.
 - Receive detailed reports on the Council's treasury management activity, including reports on any proposed changes to the criteria for "high" credit rated institutions in which investments are made and the lending limits assigned to different counterparties.
 - Receive presentations and reports from the Council's external Treasury Management advisers.
 - Consider the draft Treasury Management Annual Report and Mid-Year Monitoring Report prior to their submission to Cabinet and full Council.
- 1.9.
- 1.10. In addition, the Audit Committee's Terms of Reference state that it is responsible for 'considering the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensuring that they meet best practice.'
- 1.11. Following a full tender process in 2019, Link Asset Services being engaged for 8 years from 1 September 2019 as the Council's Treasury Management adviser, with the option to extend the contract for a further 2 years.

2. Proposals

- 2.1. The Audit Committee is requested to consider and agree this report which provides assurance to the Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management.

3. Impact of the Proposal

- 3.1. The County Council's treasury management operations form an important part of the overall financial management of the authority. These operations are designed to comply with statutory and regulatory requirements, including appropriate Member scrutiny and reporting.

4. Evidence and Reasons for Decision

- 4.1. An "Annual Investment and Treasury Strategy 2019-20" was approved by the then Policy and Resources Committee on 28 January 2019 and then County Council on 11 February 2019, to coincide with the Council's annual budget proposals. Prior to consideration by the then Policy and Resources Committee, the Strategy had been discussed and approved by the Treasury Management Panel.

- 4.2. The Annual Strategy report provided economic forecasts, the Council's borrowing strategy, criteria for choosing investment counterparties, monetary limits and deposit periods, and capital and treasury management prudential indicators. The strategy also incorporates the Council's MRP policy.

During financial year 2019-20, the County Council met the reporting requirements of the CIPFA Treasury Management Code by receiving:

- annual report following the year-end describing activity (Cabinet 10 June 2019 and County Council 22 July 2019)
- a mid-year treasury update report (Cabinet 2 December and County Council 20 January 2020)
- an annual treasury strategy in advance of the 2020-21 financial year (Cabinet 13 January 2020 and County Council 17 February 2020).

To aid transparency these reports were presented as agenda items and reports in their own right, rather than as appendices to other reports.

- 4.3. Following this financial year-end, an "Annual Treasury Management Report 2019-20" will be presented to the Treasury Management Panel in May 2020, Cabinet on 8 June 2020, and the County Council on 20 July 2020 (subject to confirmation of Cabinet and County Council agendas).
- 4.4. The Annual Report reviews treasury activities undertaken in the previous 12 months (April to March) and contains details of performance against key treasury management indicators and budgets. It also provides confirmation that all monies invested during the year was in accordance with the approved investment criteria.
- 4.5. The County Council has integrated the governance requirements of the CIPFA Treasury Management Code and the MHCLG Investment Guidelines into its Treasury Management reports. As a result, a summary of non-treasury investments (including loans to subsidiaries) has also been included to address general concerns raised by both CIPFA and MHCLG, along with a short commentary on the proportionality of these investments in the context of the Council's capital programme and revenue budgets
- 4.6. Through 2019-20, the Treasury Management Panel provided scrutiny of treasury activity. Reports to Cabinet are amended where appropriate to incorporate comments or views expressed by the Panel. There are no outstanding actions or recommendations from meetings of the Panel during 2019-20.
- 4.7. The Panel received training in December 2019 in the form of a presentation from Link Asset Services, the Council's external treasury advisors. This covered the general treasury management environment and focussed on the implications arising from the Treasury's decision to increase PWLB borrowing rates by 1%.

- 4.8. In addition to the specific treasury management reports, throughout 2019-20 Cabinet received regular treasury management summaries within monthly Finance Monitoring reports. These short reports provided key treasury management information such as the levels of cash balances and details of new borrowing.
- 4.9. The County Council's external auditor (Ernst & Young) performs audit tests in order to inform their annual audit of the Council's Statement of Accounts. For example, they seek independent verification of material investment and debt balances
- 4.10. Transaction testing of key controls is supplemented by a triennial full internal audit review, supplemented by further work if significant changes to systems or processes are identified. A full triennial internal audit review was undertaken as part of the 2016-17 annual audit plan, with a final report issued on 23 August 2017. No adverse findings were identified as part of the audit.

5. Alternative Options

- 5.1. In order to comply with best practice and Codes of Practice, no viable alternative options have been identified.

6. Financial Implications

- 6.1. The expenditure and income relating to treasury management activities falls within the parameters of the Annual Budget agreed by the Council.

7. Resource Implications

- 7.1. There are no direct staff, property or IT implications arising from this report.

8. Other Implications

8.1. Legal Implications

None identified.

8.2. Human Rights implications

None identified.

8.3. Equality Impact Assessment

No issues or implications identified.

9. Risk Implications/Assessment

- 9.1. In December 2017, CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code. These revisions have particularly focussed on non-treasury investments including, for example, capital loans and property investments. Full implementation of the new Code was required in 2019-20 and the reports updated accordingly.
- 9.2. On 9 October 2019 HM Treasury announced that 1% will be added to all new PWLB borrowing (apart from specific borrowing for approved infrastructure projects), from that date. The Council will explore alternative sources of borrowing, whilst taking into account the fact that even at the higher rate, PWLB borrowing rates are still historically low.
- 9.3. Changes to IFRS 16 mean that the Council has to bring operating leases and other "right of use" arrangements, including "embedded leases", onto its balance

sheet from 2020-21. This has resulted in a change to the MRP policy and will increase the Council's stated capital financing requirement. However, it will not alter financing decisions or impact the Council's general fund

- 9.4. The Council's Financial Regulation and Procedures have specific sections dedicated to Treasury Management (sections 4.7 and C7 respectively). They set out the key controls and specific responsibilities of the Statutory Finance Officer (Executive Director of Finance and Commercial Services) and the other Chief Officers. The regulations and procedures are reviewed and updated annually.
- 9.5. The MHCLG continues to discourage, but not prohibit, borrowing to support commercial investments. A list of non-treasury investments is included in Treasury Management papers. This shows that capital investments made by Norfolk County Council have been for policy purposes and not purely for financial return.
- 9.6. The Finance Management Team is responsible for maintaining a departmental risk register. There are currently no "High" risks identified relating to Treasury Management activities.

10. Select Committee comments

- 10.1. None.

11. Recommendation

- 11.1. Recommendations are set out in the executive summary to this report.

12. Background Papers

- 12.1. None

Officer Contact

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

Officer name: Howard Jones – Corporate Accounting Manager **Tel No. :** 01603 222832

Email address: howard.jones@norfolk.gov.uk



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Audit Committee

Item No 10

Report title:	External Auditor's Audit Plans 2019-20 - Norfolk CC and Norfolk Pension Fund
Date of meeting:	30 July 2020
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, Appendix 2](#) 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 Provisional Audit Plans for the year ending 31 March 2020, which are attached as **Appendix A** - Norfolk CC Audit Plan and **Appendix B** - Norfolk Pension Fund Audit Plan.

The purpose of the plans is to provide the committee with a basis to review their proposed audit approach and scope for the 2019-20 audit in accordance with legislation, the relevant code of practice, the PSAA Statement of Responsibilities and other relevant standards and requirements. It is also to ensure the audit is aligned with your expectations and whether there are other matters which the committee consider may influence their audit.

The Council opted in to the facility for PSAA to set the scale fees for statutory audits. Following the 16 September 2016 Audit Committee, County Council on 17 October 2016 RESOLVED to "Direct the Executive Director of Finance to formally "opt in" with the Government's designated appointing person (in this case Public Sector Audit Appointments Ltd (PSAA)), as allowed under Section 17 of the [Local Audit and Accountability Act 2014], as the preferred option offering the greatest potential economic and efficiency savings."

Within the PSAA there is a fee variation process open to auditors, requiring full justification of the additional work required and the agreement of the audited body.

For 2019-20 onwards EY have requested to negotiate a fee. The Executive Director of Finance and Commercial Services needs to consider potential negotiations with the external auditor regarding the fee and any resulting contractual arrangements or obligations with PSAA.

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

Members are recommended to consider and agree:

- the External Auditor's Audit Plan for the Council for 2019-20 at Appendix A and the Norfolk Pension Fund Audit Plan for 2019-20 at Appendix B, including their assessment of the Audit Risks and Value for Money Risks and the reporting timetable
- that the 2019-20 scale fee for the Council is £98,361; Norfolk Pension Fund is £17,256
- that the Executive Director of Finance and Commercial Services may negotiate the fee required to perform an ISA compliant audit for the Council, which may be in excess of the present scale fee; and
- whether there are other matters which you consider may influence their work.

1. Introduction

These Annual Audit Plans set out how EY intend to carry out their responsibilities as auditor and introduces the principle of a 'fair fee required to perform an ISA compliant audit for the Council and Norfolk Pension Fund. The Committee are asked to consider and agree that the Executive Director of Finance and Commercial Services may negotiate the fee required to perform an ISA compliant audit for the Council, which may be in excess of the present scale fee.

2. Evidence

The External Auditor's Audit Plans for the Council and Norfolk Pension Fund for 2019-20 are attached as **Appendices A and B** 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 the plan.

Points of interest in the plan are:

- The reporting timeline, to meet the regulatory requirements, set out in part 7 of the plan
- Appendix A (Page 38) - mentions the fees for the audit.

The External Auditor's Audit Plan for the Norfolk Pension Fund for 2019-20 is attached as **Appendix B** 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 in the plan.

3. Financial Implications

There are no specific financial implications. The 2019-20 Scale of Fees for Opted in Bodies are found [here](#) for information.

4. Issues, risks and innovation

Risk implications

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

- 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 based on 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 Planning Report for Norfolk CC 2019-20

Appendix B

External Auditor's Audit Planning for Norfolk Pension Fund 2019-20

Norfolk County Council

Audit Plan

Year ended 31 March 2020

11 June 2020



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

11 June 2020

Dear Committee Members

Audit Plan - 2019/20

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 2019/20 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. We note that the impact of the Coronavirus may have other financial reporting implications which we will need to take into account during our audit.

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.








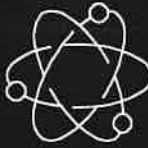

We welcome the opportunity to discuss this report with the Audit Committee as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mark Hodgson

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

Contents

01	Overview of our 2019/20 audit strategy	02	Audit risks	03	Value for Money Risks	04	Audit materiality	05	Scope of our audit
									
									
	06	Audit team	07	Audit timeline	08	Independence	09	Appendices	

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (updated April 2018)" 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 2019/20 audit strategy



Overview of our 2019/20 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.

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	<p>As identified in ISA 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 would otherwise appear to be operating effectively.</p> <p>As management is in a unique position to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively, we have identified capitalisation of revenue expenditure and accounting adjustments made in the movement in reserves statement as the key areas at risk of manipulation.</p>
Incorrect capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Linking to our fraud risk above we have considered the capitalisation of revenue expenditure on Property, Plant and Equipment as a specific way in which management override may manifest itself, given the extent of the Council's capital programme.
Accounting adjustments made in the 'Movement in Reserves Statement'.	Fraud Risk	No change in risk or focus	Linking to our fraud risk above we have considered the accounting adjustments made in the Movement in Reserves Statement as a specific way in which management override may manifest itself, given the financial pressure the Council is under to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets.
Accounting for schools that convert to 'Academy' status	Inherent Risk	No change in risk or focus	Schools within the Council's control continue to convert to 'Academy' status within the financial year. This has implications for the treatment of the schools' balances within the financial statements, with the most significant relating to Property, Plant and Equipment.

Overview of our 2019/20 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.

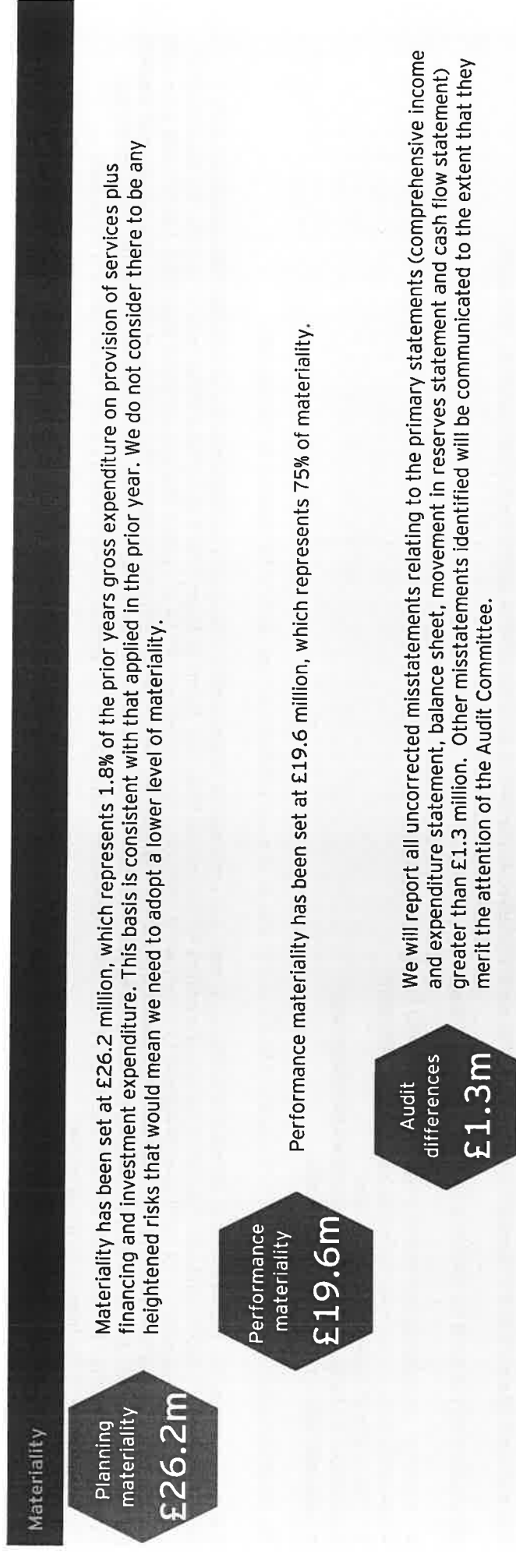
Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Valuation of Land and Buildings	Inherent Risk	No change in risk or focus	Property, Plant and Equipment represent a significant balance in the Council's accounts and requires material judgement and estimation techniques to calculate the year-end balance.
Pensions valuations and disclosures (IAS19)	Significant risk	Increase in risk	<p>The current pension fund deficit is both a material and sensitive item. The accounting for this scheme requires material judgement and estimation techniques to calculate relevant valuations and disclosures.</p> <p>Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf.</p> <p>This estimate is further impacted in 2019/20 by Brexit, Covid-19 and the triennial valuation of the pension fund, and the consequential impact on Pension Fund Asset valuations and therefore the Pension Liability figure.</p> <p>The Private Finance Initiative (PFI) liability is a material balance within the financial statements. The balance is calculated by an accounting model to reflect the three way asset construction, financing & operation and maintenance split and as such requires material judgement and estimation techniques to calculate.</p>
Private Finance Initiative (PFI)	Inherent Risk	New risk	The Council's DSG reserve is now negative, meaning that the Council has spent more than the grant it has received. The Department for Education has issued new regulations that apply from 1/4/20 to ring fence DSG so there is no impact on the general fund. The Council will need to consider how to account for the negative reserve in 2019/20.
Dedicated schools grant (DSG)	Inherent risk	New risk	

Area of focus

Area of focus	Change from PY	Details
Implementation of new accounting standard	New area of focus	<p>Implementation of IFRS 16 will be delayed due to Covid-19. It will now be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2021/22.</p> <p>The Council's component companies will adopt IFRS16 in 2019/20. This will be more significant for Norse and the Council will need to make additional group consolidation adjustments when preparing group accounts.</p>

Overview of our 2019/20 audit strategy



- We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:
- ▶ Fire Pension Scheme where we will use a lower level of materiality to reflect the differing nature of the pension fund.
 - ▶ Remuneration disclosures including councillor allowances: we will agree all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
 - ▶ Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

Overview of our 2019/20 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 2020 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.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Norfolk County Council's audit, we will discuss these with management as to the impact on the scale fee.



02

Audit risks



Our response to significant risks

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.

Misstatements due to fraud or error*

What is the risk?

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

As identified in ISA (UK) 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.

As part of our work to identify fraud risks during the planning stage, we have identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation and where the risk may thus manifest itself.

These are set out on pages 11 and 12.

What will we do?

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

- ▶ 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 the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, for example using our journal tool to focus our testing on specific journals such as those created at unusual times or by staff members not usually involved in journal processing;
 - ▶ Assessing key accounting estimates for evidence of management bias; and
 - ▶ Evaluating the business rationale for significant unusual transactions



Audit risks

Our response to significant risks (continued)

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

Financial statement impact

We have identified a risk of expenditure misstatements due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to capitalisation of revenue expenditure and could result in a misstatement of the 'cost of services' reported in the comprehensive income and expenditure statement.

What is the risk?

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

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

What will we do?

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

- Sample testing additions to property, plant and equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised; and
- Using our data analytics tool to identify and test journal entries that move expenditure into capital codes.



Audit risks

Our response to significant risks (continued)

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

Financial statement impact

We have identified a risk of misstatements due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to accounting adjustments made in the movement in reserves statement and could result in a misstatement of the 'cost of services' reported in the comprehensive income and expenditure statement.

What is the risk?

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

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

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

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

What will we do?

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

- Sample testing REFCUS to ensure the expenditure meets the definition of allowable expenditure, or is incurred under direction from the secretary of state;
- Reconciling entries for consistency to other audited accounts within the financial statements, for example our work on property, plant and equipment to support adjustments made for depreciation, impairments, revaluation losses, and application of capital grants; and
- Reviewing the Council's policy and application of the 'Minimum Revenue Provision'.
- Using our data analytics tool to identify and test journal entries adjustments made in the movement in reserves statement.



Audit risks

Our response to fraud and significant risks (continued)

Significant Risk - Pension Liability (IAS19)

What is the risk?

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

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.

The information disclosed is based on the IAS19 report issued to the Council by the actuary to the pension fund.

Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf. This estimate is further impacted in 2019/20 by Brexit, Covid-19 and the triennial valuation of the pension fund, and the consequential impact on Pension Fund Asset valuations and therefore the Pension Liability figure.

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.

Financial statement impact

The Pension Liability represents a significant balance in the Council's accounts.

At the 31 March 2019 the liability was £1.061 billion.

What will we do?

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

- ▶ Liaise with the auditors of Norfolk Pension Fund to obtain assurances over the information supplied to the actuary in relation to Norfolk County Council. This will include the data submitted for the triennial valuation;
- ▶ 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. This work will assess the assumptions applied concerning the McCloud and Sargeant judgements; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.



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?

Academies

Schools have continued to convert to 'Academy' status during 2019/20. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment.

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

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

Accounting for Property, Plant & Equipment

Property, Plant and Equipment represent a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet for land and buildings in particular.

The Council 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.

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.

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.

What will we do?

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

- ▶ 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.

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

- ▶ 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 will also consider 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 2019/20 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

Other areas of audit focus (continued)

What is the risk/area of focus?

Private Finance Initiatives (PFI)

The Council operate two material PFI, Norwich Schools and Street Lighting. This represent a significant liability balance in the Council's accounts and are calculated by accounting modelling to reflect the three way asset construction, financing & operation and maintenance split.

The size of the liability, estimation and modelling applied increases our risk and we last reviewed the financial models in 2017/18.

What will we do?

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

- ▶ Check formulas and casting in the model is correct;
- ▶ Agree the brought forward balances in the model to last audited model;
- ▶ Agree values in the model to third party, e.g. service charge invoices or the indexation figures; and
- ▶ Update our modelling of the PFI schemes to check the Council's accounting model calculations.

Dedicated School Grant (DSG)

The Council's DSG reserve is now negative, meaning that the Council has spent more than the grant it has received. The Department for Education has issued new regulations that apply from 1 April 2020 to ring fence DSG so there is no impact on the general fund. The Council will need to consider how to account for the negative reserve in 2019/20.

In order to address this risk we will:

- ▶ Reconcile the DSG balance to underlying records; and
- ▶ Review how the DSG has been accounted and disclosed in the financial statements, we will consider the Cipfa year end bulletin for 2019/20 alongside National Audit Office guidance notes and proper accounting practice.

IFRS16 - leases

IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as "pay as you go" arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Our group instructions to the Norse component auditor will include additional procedures concerning the implementation of IFRS16, and the consolidation adjustments reported.

Implementation of IFRS 16 has been delayed due to Covid-19. It will now be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21.

The Council's component companies will adopt IFRS16 in 2019/20. This will be more significant for Norse and the Council will need to make additional consolidation adjustments when preparing group accounts.



Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

What will we do?

Going Concern Compliance with ISA 570

The revised standard requires:

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee.

The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.'

'If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.'

- ▶ auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;
- ▶ greater work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements;
- ▶ improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the Council are not one of the three entity types listed, we will ensure compliance with any updated reporting requirements;
- ▶ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and
- ▶ necessary consideration regarding the appropriateness of financial statement disclosures around going concern.

The revised standard extends requirements to report to regulators where we have concerns about going concern.

We will discuss the detailed implications of the new standard with finance staff during 2019/20 ahead of its application for 2020/21.



Audit risks

Other areas of audit focus (continued)

Impact of Covid-19

The ongoing disruption to daily life and the economy as a result of the Covid-19 virus will have a pervasive impact upon the financial statements. Understandably, the priority for the Council to date has been to ensure the safety of staff and the delivery of business critical activities. However, the financial statements will need to reflect the impact of Covid-19 on the Council's financial position and performance. Due to the significant uncertainty about the duration and extent of disruption, at this stage we have not identified specific risks related to Covid-19, but wish to highlight the wide range of ways in which it could impact the financial statements. These may include, but not be limited to:

- ▶ **Going concern** - management's assessment of whether the Council is a going concern will need to consider the impact of the current conditions on the Council's future performance. Additional narrative disclosure will be required, including on the future principal risks and uncertainties, including the impact on operations for 2020/21 and beyond.
- ▶ **Revenue recognition** - there may be an impact on income collection (Council and Business rates) if businesses and residents are unable to work and earn income due to the lockdown and restriction of movement due to COVID-19.
- ▶ **Tangible assets** - there may be impairment of tangible assets if future service potential is reduced by the economic impact of the virus. The Council may also have already incurred capital costs on projects where the economic case has fundamentally changed.
- ▶ **Pensions** - volatility in the financial markets is likely to have a significant impact on pension assets, and therefore net liabilities.
- ▶ **Receivables** - there may be an increase in amounts written off as irrecoverable and impairment of year-end balances due to the increased number of businesses and residents unable to meet their financial obligations.
- ▶ **Holiday and sickness pay** - the change in working patterns may result in year-end staff pay accruals which are noticeably different to prior years.
- ▶ **Government support** - any Covid-19 specific government support is likely to be a new transaction stream and may require development of new accounting policies and treatments.
- ▶ **Annual Governance Statement** - the widespread use of home working is likely to change the way internal controls operate. The Annual Governance Statement will need to capture how the control environment has changed during the period and what steps were taken to maintain a robust control environment during the disruption. This will also need to be considered in the context of internal audit's ability to issue their Head of Internal Audit opinion for the year, depending on the ability to complete the remainder of the internal audit programme.

We will provide an update on the impact of Covid-19 on the Council's financial statements, and how we have responded to the additional risks of misstatement, later in our audit.

In addition to the impact on the financial statements themselves, the disruption caused by Covid-19 may impact on management's ability to produce the financial statements and our ability to complete the audit to the planned timetable. For example, it may be more difficult than usual to access the supporting documentation necessary to support our audit procedures. There will be additional audit procedures we have to perform to respond to the additional risks caused by the factors noted above.



Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

What will we do?

Going Concern Disclosures

Covid-19 has created a number of financial pressures throughout Local Government. There is currently not a clear statement of financial support from MHCLG that covers all financial consequences of Covid-19.

There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. This could be under s114(3), insufficient resources to fund likely expenditure.

CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 *Going Concern*, as applied by Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom*, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'.

To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.

The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.

In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we will be seeking a documented and detailed consideration to support management's assertion regarding the going concern basis and particularly with a view whether there are any material uncertainties for disclosure.

We will review your updated going concern disclosures within the financial statements under IAS1, and associated financial viability disclosures within the Narrative Statement. We expect you to disclose any material uncertainties that do exist.

These disclosures should also include the process that has been undertaken for revising financial plans and cashflow, liquidity forecasts, known outcomes, sensitivities, mitigating actions including but not restricted to the use of reserves, and key assumptions (e.g. assumed duration of Covid-19).

Our audit procedures to review these will include consideration of:

- ▶ Current and developing environment;
- ▶ Liquidity (operational and funding);
- ▶ Mitigating factors;
- ▶ Management information and forecasting; and
- ▶ Sensitivities and stress testing.



Value for Money Risks

03

Value for Money

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 2019/20 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.

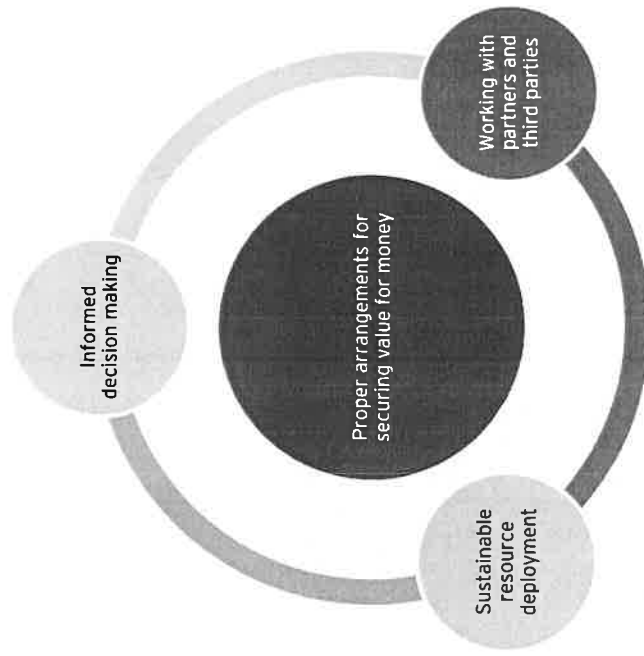
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

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. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2019/20 this will include consideration of the steps taken by the Authority to consider the impact of both Brexit and the coronavirus on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Authorities will be carrying out scenario planning and that coronavirus and its impact will feature on operational risk registers.

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

Value for Money Risks

What is the significant value for money risk?

Sustainable resource deployment: Achievement of savings needed over the medium term

What arrangements does the risk affect?

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

To date the Council has responded well to the Continuing financial pressures within local government. However, substantial savings are required over the period 2020 to 2024 to balance the budget:

- 2020/21 = £38.244 million (identified savings)
- 2021/22 = £35.492 million (budget gap)
- 2022/23 = £23.949 million (budget gap)
- 2023/24 = £29.652 million (budget gap)

(Source: Norfolk County Council Budget Book 2020-24)

The most recent financial forecast (Period 10 figures) for the year ended 31 March 2020 is an overspend of £1.375 million on a net budget of £409.293 million.

(Source: Norfolk County Council Cabinet agenda March 2020)

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.

Therefore a risk remains that further savings or increased income will not be identified to close the funding shortfalls.

One area under significant financial pressure is Dedicated Schools Grant (DSG). The current outturn forecast indicates an overall overspend on the DSG of £7.5 million. This in-year overspend will be combined with the cumulative overspend of £10.887 million brought forward from prior years.

The Council submitted its DSG recovery plan to the Department for Education at the end of June 2019.

What will we do?

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

- ▶ 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;
- ▶ Consider the adequacy of savings plans in place and the historic achievement of these; and
- ▶ Review the Council's arrangements concerning its DSG recovery plan and work to transform how the whole system supports additional needs within mainstream provision.



Audit materiality

04

Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £26.2 million (£30.2 million for the group). This represents 1.8% of the Council's prior year gross expenditure on net cost of services plus financing and investment expenditure. 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.

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 1.8% is appropriate on the grounds 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 C.



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 £19.6 million (£15.1 million for the group) which represents 75% (50% for the group) of planning materiality. We have considered a number of factors such as the number of errors in the prior year and any significant changes in 2019/20 when determining the percentage of planning materiality. The reduced level for group reflects a material prior year adjustment and implementation of IFRS 16 for the Council's companies.

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 £5.2 million for Norse and £1.5 million for Independence Matters (IM).

Audit difference threshold – we propose that misstatements identified below £1.3 million for the Council and 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 1.8% of benefits payable to reflect the differing nature of the pension fund. We have applied a materiality of £156,942 with a reporting threshold for audit differences of £7,847.
- 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



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

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 2019/20 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.



Scope of 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.

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

Full scope audit – Norse

Review scope audit – Independence Matters

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.

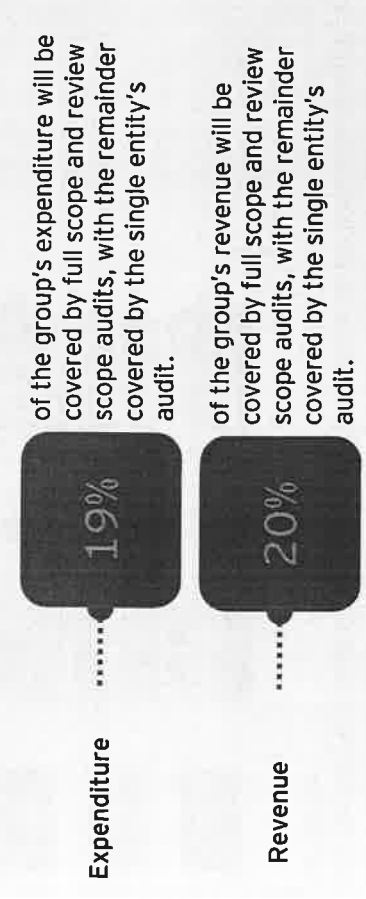
Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

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)

<p>Coverage of Revenue/Profit before tax/Total assets</p> <p>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.</p>	<p>Key changes in scope from last year</p> <p>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.</p>
 <p>Expenditure 19% of the group's expenditure will be covered by full scope and review scope audits, with the remainder covered by the single entity's audit.</p> <p>Revenue 20% of the group's revenue will be covered by full scope and review scope audits, with the remainder covered by the single entity's audit.</p> <p>Our audit approach is risk based and therefore the data above on coverage is provided for your information only.</p> <p>The NORSE Group will be audited by PwC, a non-EY member firm, who will confirm their independence via our group instructions.</p> <p>Independence Matters is audited by EY.</p>	<p>Group audit team involvement in Norse component audit</p> <p>Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below.</p> <ul style="list-style-type: none"> • 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.
	<p>Details of review scope procedures for Independence Matters (IM)</p> <p>In order to provide us a reasonable assurance over Independence Matters, we will carry out analytical review procedures and seek management representation.</p>



Audit team

06

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. This team remains consistent from the prior years audit.

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.



Audit timeline

07

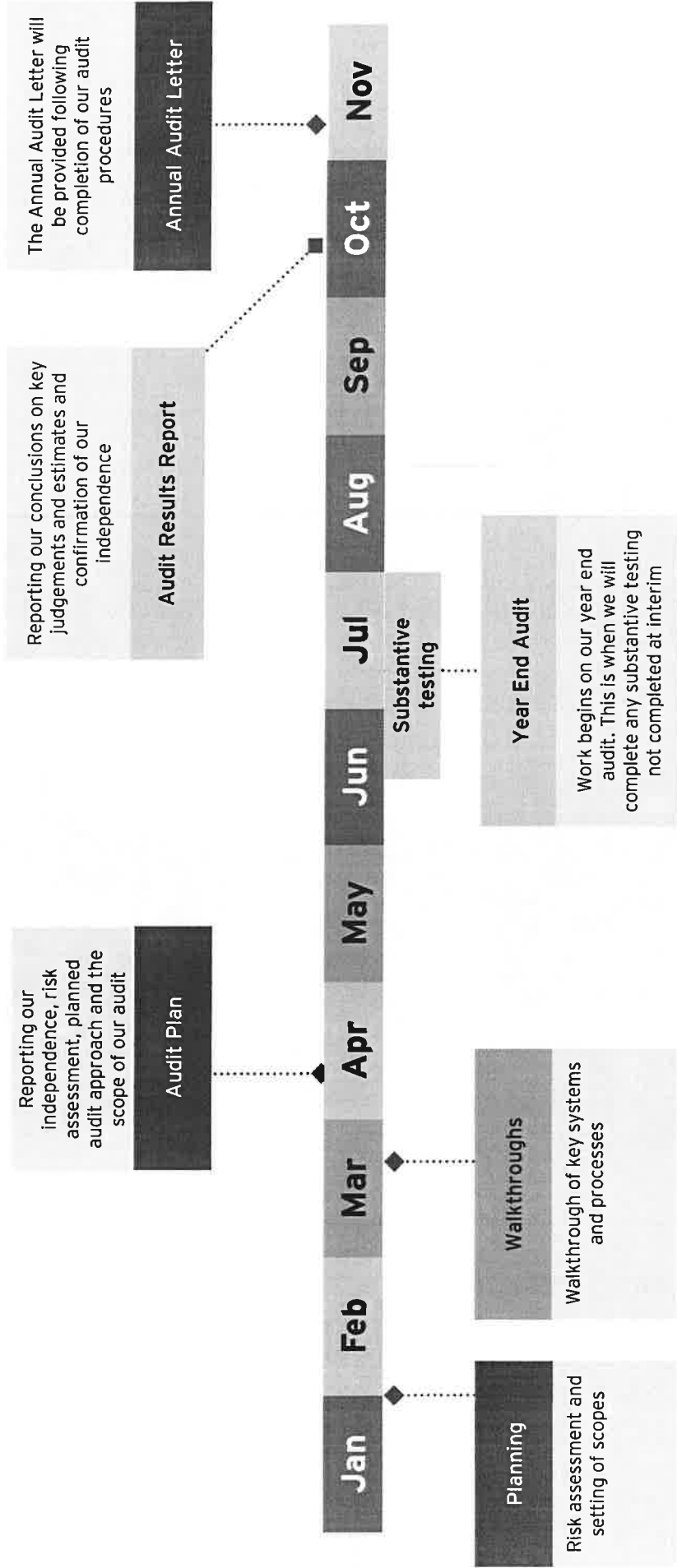
Audit timeline

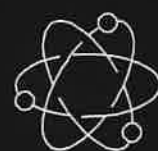
Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





Independence

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.

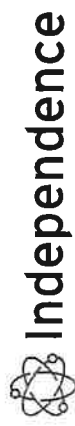
Required communications

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 [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.



Independence

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. To date we have not provided any services which are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note Q1. Any provision of services would need to be 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, we have not provided any non-audit fee work. 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.

Independence

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, although we note that this will be the last year that Mark Hodgson will be involved in the engagement before rotation rules dictate a change of Engagement Partner.

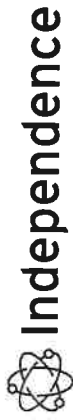
Other communications

EY Transparency Report 2019

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 end 30 June 2019:

[https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/\\$FILE/ey-uk-2019-transparency-report.pdf](https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/$FILE/ey-uk-2019-transparency-report.pdf)



New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.



Appendices

09

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 Housing, Communities and Local Government.

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 requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, 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.

	Scale fee 2019/20	Final Fee 2018/19
	£	£
Total Fee - Code work	98,361 (Note 2)	102,100 (Note 1)
Other non-audit services not covered above	-	-
Total fees	98,361	102,100

All fees exclude VAT

Note 1: The 2018/19 Code work includes an additional fee of £3,739, for work on the implementation of two new accounting standards (IFRS9 and IFRS15, work to review the Authority's revised Minimum Revenue Provision policy, and additional audit findings concerning IAS19. We are awaiting approval from PSAA.

Note 2: We are currently in discussion with management to agree the fair fee required to perform an ISA compliant audit for the Council, as a result of a range of factors as set out on page 8. This will result in a significant increase in the scale fee set by PSAA Ltd. This discussion will take into account the recurring audit risks as set out within this audit plan.

The issues we have identified at the planning stage which will impact on these fee discussions include:

- The need to audit the implementation of IFRS 16 for group components and corresponding consolidation adjustments.
- The procedures required to address the audit risks presented in this audit plan, which include the specific fraud risks of incorrect capitalisation of expenditure and accounting adjustments made in the Movement in Reserves Statement, together with the other inherent risks set out below.
- The need to engage EY specialists for material accounting estimates concerning property and land values, pension liabilities and private finance imitative modelling.

We will continue to discuss the impact of these factors with management and the impact on the final fee.

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

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		What is reported?	Our Reporting to you
Terms of engagement		Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	When and where 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 - 11 May 2020 - Audit Committee
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 - 15 October 2020 - Audit Committee

Appendix B

Required communications with the Audit Committee (continued)

Our Reporting to you	
Required communications	When and where
<p>Going concern</p> <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 	<p>Audit Results Report - 15 October 2020 - Audit Committee</p>
<p>Misstatements</p> <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 	<p>Audit Results Report - 15 October 2020 - Audit Committee</p>
<p>Fraud</p> <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 	<p>Audit Results Report - 15 October 2020 - Audit Committee</p>
<p>Related parties</p> <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 	<p>Audit Results Report - 15 October 2020 - Audit Committee</p>



Appendix B

Required communications with the Audit Committee (continued)

Our Reporting to you		When and where	
Required communications	What is reported?		
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 Results Report - 15 October 2020 - Audit Committee</p> <p>Audit Plan - 11 May 2020 - Audit Committee</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 - 15 October 2020 - Audit Committee	
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 Committee may be aware of 	Audit Results Report - 15 October 2020 - Audit Committee	
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - 15 October 2020 - Audit Committee	

Appendix B

Required communications with the Audit Committee (continued)

Required communications		What is reported?	Our Reporting to you
Group audits		When and where	When and where
		<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 Results Report - 15 October 2020 Audit Committee Audit Plan - 11 May 2020 - Audit Committee
	Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - 15 October 2020 - Audit Committee
	Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - 15 October 2020 - Audit Committee
	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 - 15 October 2020 - Audit Committee
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 Results Report - 15 October 2020 - Audit Committee
			Audit Plan - 11 May 2020 - Audit Committee



Appendix C

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 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 Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Committee 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 Council 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.

Norfolk Pension Fund

Provisional Audit Plan

Year ended 31 March 2020

22 May 2020



Audit Committee / Pensions Committee Members,
Norfolk County Council
County Hall
Martineau Lane
Norfolk - NR1 2DH

22 May 2020

Dear Audit Committee / Pension Committee Members,

2019/20 External Audit plan - Norfolk Pension Fund

We are pleased to attach our Provisional Audit Plan which sets out how we intend to carry out our responsibilities as your external auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2019/20 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 Provisional Audit 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. Our planning procedures remain ongoing. We note that the impact of the Coronavirus may have other financial reporting implications which we will need to take into account during our audit. We will inform the Audit Committee if there are any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the committee

This report is intended solely for the information and use of the Audit Committee, the Pension Fund 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 at the next available Audit & Accounts Committee as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Enc

Contents

01	Overview of our 2019/20 audit strategy				
02	Audit risks				
03	Audit materiality				
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (updated April 2018)" 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 the 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 the 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 the 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.



Overview of our 2019/20 audit strategy

01

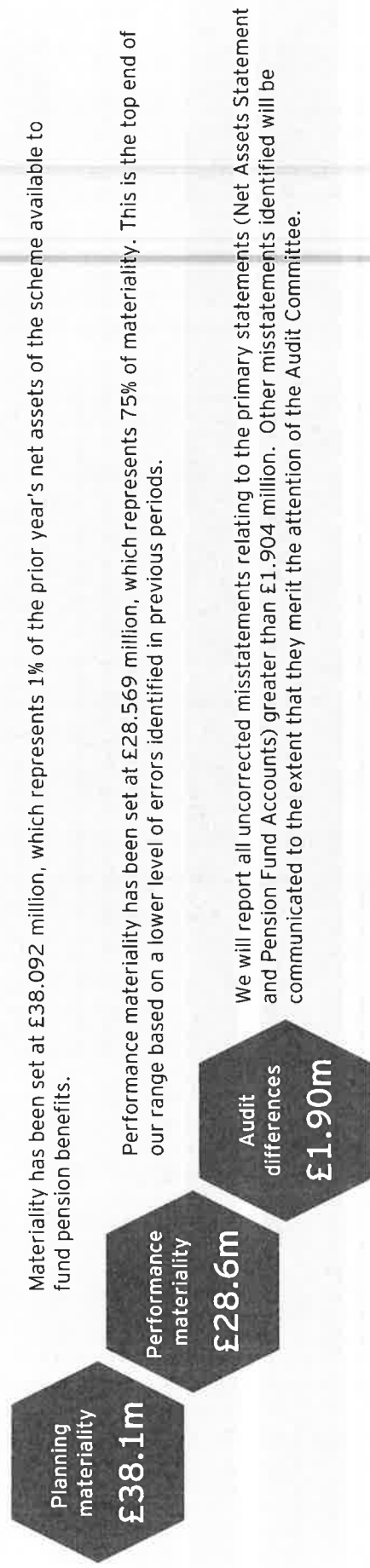
Overview of our 2019/20 audit strategy

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.

Risk / area of focus	Risk identified	Change in risk/focus	Details
Misstatements due to fraud or error	Fraud risk	No Change	<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.</p> <p>As management is in a unique position to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively, we have identified Investment Income and Asset Valuation journals as the key areas at risk of manipulation as set out below.</p>
Investment Income and Asset Valuations - Investment Journals	Fraud risk	No Change	<p>We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified the most likely are is to affect investment income and assets in the year, specifically through journal postings.</p>
Valuation of complex investments (Unquoted investments)	Significant Risk	Increase in risk assessment (was 'other risk area' in 2018/19)	<p>The Fund's investments include unquoted pooled investment vehicles such as private equity and property investments.</p> <p>Key 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 was 18.3% in 2018/19, and as these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as a significant risk.</p> <p>Even a small movement in these assumptions could have a material impact on the financial statements, and because Covid-19 is likely to have a significant impact on 31 March 2020 valuations.</p>

Overview of our 2019/20 audit strategy

Risk / area of focus	Risk identified	Change in risk/focus	Details
IAS 26 disclosure - Actuarial Present Value of Promised Retirement Benefits	Other Area of Focus	No Change	<p>An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based data submitted by the Pension Fund to the Actuary to inform their triennial valuation, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation when calculating the liability.</p> <p>There is a risk that the information provided in relation to membership data and cash flows provided to the actuary as at 31 March may not be correct, or the valuation uses inappropriate assumptions to value the liability.</p> <p>The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £5.6 billion as at 31 March 2019.</p> <p>The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson and has been updated as part of the triennial valuation assessment.</p>
Materiality			



Overview of our 2019/20 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 2020 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2020; 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. Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities".

PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension assets and obligations, the introduction of new accounting standards in recent years as well as the expansion of factors impacting the value for money conclusion.

We are currently in the process of discussing the extent of these areas, the audit risks highlighted in this Audit Plan being relevant in the context of Norfolk Pension Fund's audit, and the resultant impact on the scale fee with officers. We set out the published Scale Fee in Appendix A.



Audit risks

02

Our response to significant risks

We have set out the significant risks (including fraud 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.

Misstatements due to fraud or error*

What is the risk?

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

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

We identify and respond to this fraud risk on every audit engagement.

What will we do?

We will undertake our standard procedures to address fraud risk, which include:

- Identifying fraud risks during the planning stages.
- Inquiring 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.
- Considering 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 for evidence of management bias; and
 - evaluating the business rationale for significant unusual transactions.

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.

Our response to significant risks (continued)

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 inappropriate posting of investment valuation

Financial statement impact

Manipulation of investment values would increase the net value of pension fund assets.

Total Investments for 2018/19:
£3.825bn

As our performance materiality is £28.6m, any manipulation over 1% would result in a material error to the value of investments.

What is the risk?

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

We have identified the main area being:

- ▶ Investment Income and Asset Valuations being taken from the Custodian reports being incorrectly posted to the general ledger in the year, specifically through journal postings.

Investment valuations are manually input into the general ledger, therefore there is opportunity to manipulate the valuation of investments reported in the Net Asset Statement.

What will we do?

Our approach will focus on:

- ▶ testing of journals at year-end to ensure there are no unexpected or unusual postings;
- ▶ undertaking a review of reconciliations between the fund manager/ custodian reports/ valuer's reports and investigating any reconciling differences over a specified threshold;
- ▶ 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; and
- ▶ For quoted investment income we will agree the reconciliation between fund managers and custodians back to the source reports.



Audit risks

Our response to significant risks (continued)

Valuation of Complex Investments (Unquoted Investments)

What is the risk?

The Fund's investments include unquoted pooled investment vehicles such as private equity, and property investments.

Judgements are taken by the Investment Managers to value those investments whose prices are not publicly available. The material nature of investments means that any error in judgement could result in a material valuation error.

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

The proportion of the fund comprising of these investment types was 18.3% in 2018/19, and as these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as a significant risk.

Even a small movement in these assumptions could have a material impact on the financial statements, and because Covid-19 is likely to have a significant impact on 31 March 2020 valuations.

What will we do?

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

- 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 material differences in the reported funds valuation within the financial statements; and
- Performing analytical procedures and checking the valuation output for reasonableness against our own expectations.



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?
Triennial Valuation: Every three years, a formal valuation of the whole Fund is carried out under the Local Government Pension Scheme Regulations 2013 to assess and examine the ongoing financial position of the Fund. The fund liability is recalculated by the actuary and is used to set employer contribution rates and underpin investment management strategy. The last fund valuation was 31 March 2019. We consider there to be a higher inherent risk in the first year following the full fund valuation around the estimation process, data used and assumptions used by the actuary when valuing the fund.	<p>Our approach will focus on:</p> <ul style="list-style-type: none">▶ review and test the membership information supplied to the actuary for the triennial valuation;▶ 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 disclosures made within the financial statements in relation to IAS26.
Going Concern Disclosures: This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after. Although the revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for Norfolk will be the audit of the 2020/21 financial statements, we consider the unpredictability of the current environment to give rise to a risk that the Pension Fund will not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19.	<p>Our approach will focus on:</p> <ul style="list-style-type: none">▶ Obtain managements going concern assessment and review for any evidence of bias and consistency with the accounts.▶ Ensure that an appropriate going concern disclosure has been made within the financial statements.▶ Ensure any appropriate post-balance sheet events are disclosed in relation to Covid-19.



Audit materiality

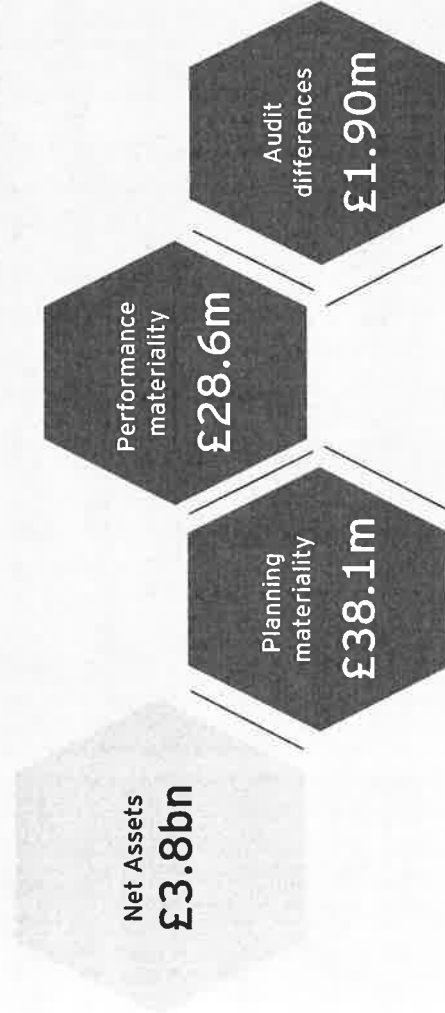
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Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £38.1 million. This represents 1% 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 C.



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 £28.569 million which represents 75% of planning materiality. As this is our first year auditing the pension fund we are required to set performance materiality at this lower level compared to previous years.

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



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 2019/20 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.

IAS19 procedures:

In addition to the above we also perform procedures on behalf of the Norfolk Pension Fund admitted body auditors concerning IAS 19 reports. Our work specifically focuses on gaining assurance that the data submitted to the actuary agrees to the Pension Fund's systems. This approach minimises disruption to the Pension Fund as only one set of auditors will perform procedures on the data. In 2019/20 we anticipate an increased request from auditors of the admitted bodies on the information provided to the actuary for the 2019 triennial valuation, particularly regarding the detailed membership information.



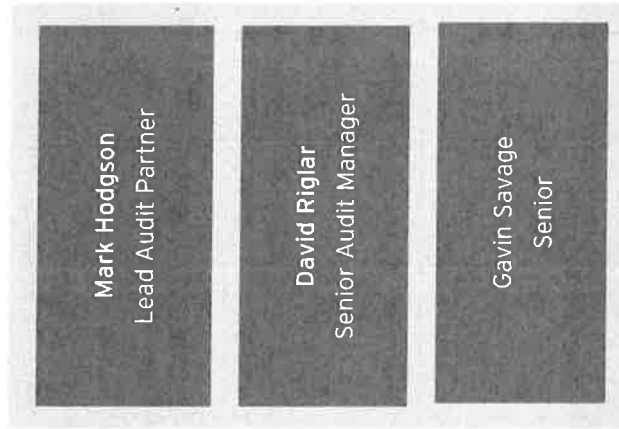
Audit team

05

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 David Riglar and Gavin Savage who are responsible for the day-to-day direction of audit work and are the key points of contact for the Pension Fund finance team. Both David and Gavin are involved with the Norfolk County Council audit.

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 EY Pensions Advisory Team EY Real Estate Valuation Team

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

We also consider the work performed by the specialist in light of our knowledge of the 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.



Audit timeline

06

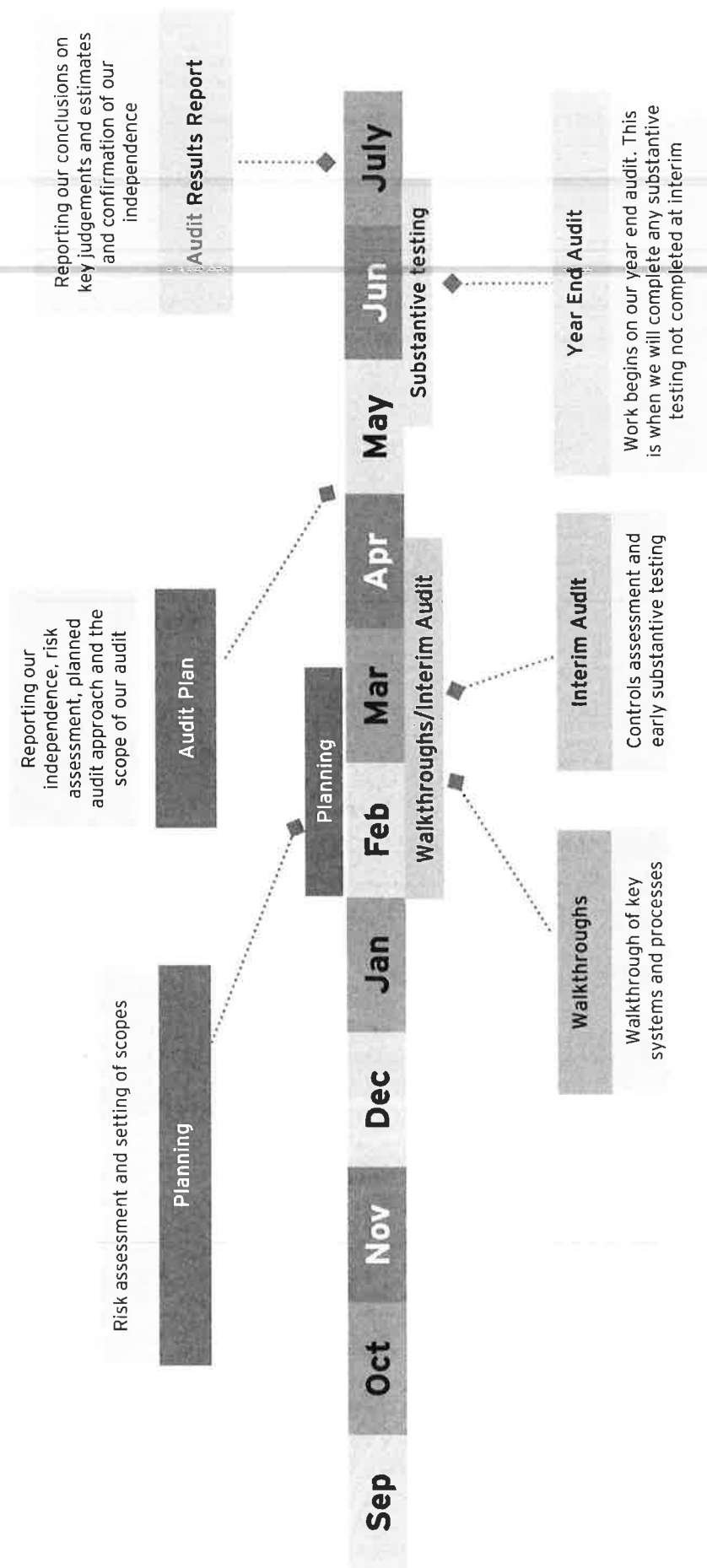
Audit timeline

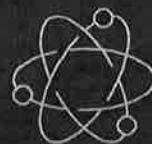
Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





07 Independence

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

- ▶ 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.

Final stage

- ▶ 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

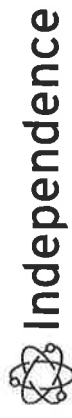
Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

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 2019

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 end 30 June 2019:

[https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/\\$FILE/ey-uk-2019-transparency-report.pdf](https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/$FILE/ey-uk-2019-transparency-report.pdf)



New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.



Appendices

08



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 2019/20	Scale fee 2019/20	Final Fee 2018/19
	£'s	£'s	£'s

Total Fee - Code work (Note 2) 17,256 26,366 (Note 1)

Total fees (Note 2) 17,256 26,366

All fees exclude VAT

Note 1 - We charged an additional fee of £5,500 in 2018/19 to take into account the additional work required to respond to IAS19 assurance requests from admitted bodies and their auditors.

Note 2 - We are currently in discussion with management to agree the fair fee required to perform an ISA compliant audit for the Pension Fund, as a result of a range of factors, such as additional compliance and regulation as set out on page 7. This will result in a significant increase in the scale fee set by PSAA Ltd. This discussion will take into account the recurring audit risks as set out within this audit plan.

This discussion will take into account the recurring audit risks around:

- ▶ The audit procedures required in respect of the valuation of complex investments; and
- ▶ IAS19 assurances to the auditors of Admitted body financial statements.

We will then specify the additional cost in respect of the risk specific to the 2019/20 financial statements only - the impact of the triennial valuation. We will provide an update to this Committee once those discussions have concluded.

The agreed fee presented is based on the following assumptions:

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

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

Appendix B

Required communications with the Audit Committee

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

Required communications



What is reported?

Terms of engagement

Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.

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

- ▶ 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



Our Reporting to you



When and where

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 - May 2020

Audit Results Report - July 2020



Appendix B

Required communications with the Audit Committee (continued)

Required communications		What is reported?	Our Reporting to you
			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 2020
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 2020
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 2020
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 2020

Appendix B

Required communications with the Audit 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 - May 2020</p> <p>Audit Results Report - July 2020</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 2020	
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 - July 2020	
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - July 2020	

Appendix B

Required communications with the Audit Committee (continued)

Required communications		Our Reporting to you
	What is reported?	When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - July 2020
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit Results Report - July 2020
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 2020
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 	<p>Audit Plan - May 2020</p> <p>Audit Results Report - July 2020</p>

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.

Appendix C

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.

Audit Committee

Item No. 11

Decision making report title:	Senior Information Risk Officer Annual Report 2019-20
Date of meeting:	30 July 2020
Responsible Cabinet Member:	Andrew Proctor, Leader - Governance and Strategy
Responsible Director:	Fiona McDiarmid, Executive Director of Strategy & Governance
Is this a key decision?	No

Executive Summary

The Council has a duty to ensure sound internal controls and risk management including for information management. The Council has a Data Quality Policy agreed on 23 May 2018 which states that, the Head of Paid Service is responsible for ensuring the County Council's compliance with legislation, regulation and guidance. The policy sets out the role of the Senior Information Risk Officer (SIRO) at section 4.

The then Chief Legal Officer (now Director of Governance) took on the role of SIRO in May 2019. One of the roles of the SIRO is, 'for ensuring effective systems and processes are in place to deliver the Information Governance agenda and for reporting any relevant information risk to the leadership team'.

This report provides an annual assurance statement to confirm that there are adequate systems and processes in place around Information Governance, but areas for improvement have been identified and activity is underway to strengthen the Information Governance agenda further.

The Council's Corporate Board have approved additional resources for Information Governance and an action plan is being prepared by the new Head of Information Governance to implement these improvements.

Recommendations

To;

1. Consider the SIRO's annual statement on Information Governance and agree there are appropriate actions to strengthen any potential weaknesses
2. Consider and agree that the SIRO role, described in the Council's Data Quality Policy, has been adequately discharged

1. Background and Purpose

- 1.1. This paper is designed to outline the activity that has been undertaken to ensure that the responsibilities held by the SIRO have been effectively discharged.

The Council's Data Quality Policy sets out the roles and responsibilities in relation to Information Management and the SIRO. The SIRO is delegated responsibilities in relation to Information Management and is, 'Responsible (as delegated by the Head of Paid Service) for ensuring effective systems and processes are in place to deliver the

information governance agenda and is responsible for reporting any relevant information risk to the leadership team.'

2. Proposals

- 2.1. The Audit Committee, as those charged with governance, are asked to consider the SIRO's annual statement on the effectiveness of the information management governance as part of their delegated role and agree there are appropriate actions to strengthen any weaknesses. They are also asked to consider and agree that the SIRO role has been adequately discharged.

The following are the **key messages** emanating from the work of the SIRO over the 2019-20 year:

- There were four data breaches reported to the ICO during the period with no fines received, although one case remains outstanding awaiting a decision. Actions have been put in place to stop a reoccurrence.
- All data incidents are being monitored, shared with relevant risk reporting forums and actions taken as required
- As a result of one data breach, Norfolk County Council commissioned an external review of the Information Governance framework and a number of recommendations were made to strengthen the current position
- A new Head of Information Governance has been appointed to strengthen the Information Governance agenda and deliver the report recommendations
- Additional resource has been agreed to expand the Information Governance team to ensure effective Information Governance activity and recruitment is underway
- There has been an ongoing focus on ensuring key Information Governance roles and documentation are being reviewed regularly and becoming embedded within Norfolk County Council
- Information Governance related risks are documented in the Corporate Risk register and regularly reviewed to ensure focus at an appropriate level
- Mandatory training is in place for both Data Protection and Cyber Security and there has been a focus on ensuring high levels of completion. A refresh of the Cyber Security module has taken place and is planned for the Data Protection module.

Annual SIRO Statement 2019-20

Following reasonable and appropriate enquiries and in fulfilment of the delegations made to me under the Council's Data Quality Policy I confirm that overall the Council has adequate systems and processes in place around Information Governance and has reported any relevant Information risks to the Leadership team. Areas for improvement have been identified and activity is underway to strengthen the Information Governance agenda further, as detailed in the key messages.

– Helen Edwards, Director of Governance & SIRO

3. Impact of the Proposal

- 3.1. Good Information Governance supports compliance with the General Data Protection Regulation and the requirement for sound internal control and risk management in the Accounts and Audit Regulations 2014 (as amended in 2020).

4. Evidence and Reasons for Decision

- 4.1. As detailed in the key messages, an external review concluded there were some improvements that could be made that are now being implemented. A number of activities have occurred during the period that have strengthened Information Governance within the Council and will ensure that the SIRO can continue to manage information risk. The SIRO continues to work with the leadership team to:

- Deliver an information risk strategy which allows assets to be exploited and risks to be managed effectively
- Identify business-critical information assets and set objectives, priorities and plans to maximise the use of information as a business asset
- Maintain an appropriate risk appetite with proportionate risk boundaries and tolerances.
- Deliver an effective Information Governance Framework
- Ensure the Information Asset Register (IAR) is accurate and complete so that residual risks to assets are mitigated.
- Act as the champion for information risk, being an exemplar for all staff and encouraging the Board to do likewise
- Build networks with peers and organisations that can provide essential support and knowledge exchange services
- Ensure compliance with regulatory, statutory and organisational information security policies and standards
- Ensure all staff are aware of the necessity for information assurance and of the risks affecting the organisation's corporate information
- Embed a reporting and learning culture to allow the organisation to understand where problems exist and develop strategies (policies, procedures and awareness campaigns) to prevent problems occurring in the future.
- Review security incident statistics to identify consistent weaknesses and, if necessary, sponsor remedial action, such as a review of security policies and procedures or the creation of security education initiatives.
- Ensure Cyber and Information Risk appetite is set, risks assessed, controls and mitigating actions developed, planned and monitored on a regular basis.

5. Alternative Options

- 5.1. The alternative is not to accept the SIRO statement or to take actions to address the issues identified. This would risk not having robust information governance in place and would likely be detrimental in meeting relevant regulations.

6. Financial Implications

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

7. Resource Implications

7.1. Staff:

There are no staff implications.

7.2. Property:

There are no property implications.

- 7.3. IT:**
There are no IT implications.
- 8. Other Implications**
- 8.1. Legal Implications**
There are no specific legal implications to consider within the report.
- 8.2. Human Rights implications**
There are no specific human rights implications to consider within the report.
- 8.3. Equality Impact Assessment (EqIA) (this must be included)**
No implications.
- 8.4. Health and Safety implications (where appropriate)**
There are no health and safety implications.
- 8.5. Sustainability implications (where appropriate)**
There are no suitability implications.
- 8.6. Any other implications**
There are no other implications.
- 9. Risk Implications/Assessment**
- 9.1.** Not applicable.
- 10. Select Committee comments**
- 10.1.** Not applicable.
- 11. Recommendations**
- 11.1.** See Executive Summary above.
- 12. Background Papers**
- 12.1.** Norfolk CC SIRO Role Description

Officer Contact

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

Officer name: Helen Edwards

Tel No.: 01603 223415

Email address: helen.edwards2@norfolk.gov.uk

Audit Committee

Item 12

Decision making report title:	Risk Management
Date of meeting:	30th July 2020
Responsible Cabinet Member:	N/A
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services
Is this a key decision?	No

Executive Summary

The COVID-19 outbreak, which started in late 2019 and developed rapidly during early 2020, meant that the Council deployed the Civil Contingencies Act 2004 [1] provisions and in order to follow government guidance on remote working and social distancing suspended Council meetings. In May the Council successfully deployed remote Council meetings. Decisions have been taken by Cabinet Portfolio Holders or the Head of Paid Service, as allowed for in the Council's Constitution. Business and officer meetings, briefings, communication and training continued successfully in a virtual format exploiting and leveraging the Council's Microsoft TEAMS facilities. The system has shown capacity for over 4,500 simultaneous users. The Government passed a Coronavirus Act 2020 in March 2020 and has subsequently issued supporting regulations. The Council has participated in the Norfolk Resilience Forum and has held effective Gold and Silver meetings regularly throughout the initial response phase to the outbreak. The Council's Recovery Group has now replaced Gold and Silver meetings as of late June 2020 as we move in to the recovery phase of the pandemic.

This report references the corporate risk register as it stands in July 2020, following the latest review conducted during June 2020. A separate annual risk management end of financial year report is reported separately to this Committee.

A summary of significant changes to corporate risks since they were last issued to this Committee has been included in **Appendix A** for information purposes. The latest corporate risk heat map for both the generic corporate risk register and the COVID-19 specific strategic corporate risk register is included in **Appendix B** providing a visual summary of corporate risks. Full details of the current generic corporate risks are included in **Appendix C**.

Risk Management has played an active role in Norfolk County Council's response to the coronavirus pandemic. Risks specific to COVID-19 have been identified and those of a strategic nature at a corporate level are presented within this report at **Appendix D**.

Recommendations

To note;

- a. The key messages as per section 2.1 of this report
- b. The key changes to the generic corporate risk register (**Appendix A**),
- c. The corporate risk heat maps (**Appendix B**)
- d. The latest generic corporate risks (**Appendix C**);
- e. And agree the newly introduced COVID-19 strategic corporate risk register (**Appendix D**)
- f. Scrutiny options for managing corporate risks (**Appendix E**)
- g. Background Information (**Appendix F**)

1. Background and Purpose

- 1.1 One of the Audit Committee's roles is to consider the Council's risk management. Assurance on the effectiveness of risk management and the corporate risk register as a tool for managing the biggest risks that the Council faces, 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.
- 1.2 The risk reviewers have reviewed and updated the risks where there have been changes to note since the last report was issued in April 2020, and these have been agreed by the risk owners (for the most part Executive Directors), Corporate Board, and at time of writing are being reported to Cabinet on 6th July 2020.

2. Proposals

- 2.1. The key corporate risk messages are as follows:
 - That corporate risk management continues to be sound and effective, working to best practice, and has featured prominently within the COVID-19 conversations taking place across the Council.
 - The review of the corporate risks has taken place with risk reviewers, owners, and Corporate Board, and will be presented to and discussed with Cabinet via a Microsoft Teams meeting as well as to this Committee.

- That COVID-19 strategic corporate risks have been identified and developed and are being mitigated.
- The Risk Management Officer is attending Departmental Management Team meetings via Microsoft Teams to discuss their department's specific risks with them, but also the corporate risks that are often cross-departmental in nature.
- The strategic COVID-19 corporate risks look further at macro-risks within society exacerbated by COVID-19. Examples include safeguarding of both children (**SR001a**) and adults (**SR001b**), the risk of long-term strain on the population (**SR004**) and children's attainment at school (**SR008**).

3. Impact of the Proposal

- 3.1. Risk management plays a key role in managing performance and is a requirement in the Accounts and Audit Regulations 2015. Sound risk management helps ensure that objectives are fulfilled, that resources and assets are protected and used effectively and efficiently. The responsibilities for risk management are set out in the Financial Regulations, which are part of the Council's Constitution.

4. Evidence and Reasons for Decision

- 4.1. Not applicable as no decision is being taken.

5. Alternative Options

- 5.1. There are no alternatives identified.

6. Financial Implications

- 6.1. With the COVID-19 pandemic there will be major financial implications to consider. Whilst all corporate risks will have varying degrees of financial implication associated with them, the key generic risks with a financial consideration are RM002, RM006, RM023, RM031, and RM032a and b.

7. Resource Implications

- 7.1. **Staff:** The imminent risk of COVID-19 impacting on staff can be seen within risk **RM032a - Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery)**, with all office based staff able to work from home doing so for the foreseeable future. Whilst there are undoubtedly

some negative connotations to the disruption caused by COVID-19, there are also opportunities to consider around how staff resource can be best utilised to harness efficiencies with different ways of working that break with tradition.

- 7.2. **Property:** With services looking to re-open in a safe way to factor in social-distancing, there are key challenges with adapting NCC properties. Health and safety risk assessments are being carried out to ensure that services and properties where services are delivered from a Council site can demonstrate that they are able to re-start in a safe and sustainable manner going forward.
- 7.3. **IT:** There are no specific major IT risk implications to consider within this report other than as part of **RM010 - 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.**
- With a greater reliance on IT to support working remotely, IMT continue to closely monitor any national / international cyber threats.

8. Other Implications

8.1. Legal Implications

There are no specific legal implications to consider within this report.

8.2. Human Rights implications

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

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

None applicable.

8.4. Health and Safety implications (where appropriate)

There are health and safety risk implications as set out in the corporate risk **RM032a - Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery, and RM032b - Effect of COVID-19 on supply chain.** Mitigations are in place to ensure that the health, safety and wellbeing of all Council staff continues as a top priority to ensure that services can be delivered in a safely adapted manner to service users.

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

There are no specific sustainability implications to consider within this report over and above the implications of COVID-19 on a sustainable new way of living and working for the foreseeable future. Any sustainability risks identified as part of the Council's [Environmental Policy](#) (page 58) will be recorded and reported appropriately.

8.6. **Any other implications**

There are no other risk implications to consider within this report.

9. Risk Implications/Assessment

- 9.1. The risk implications are set out in the report above, and within the risks themselves at **Appendices C and D**.

10. Select Committee comments

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

11. Recommendations

- 11.1. **To note;**
- a. The key messages as per section 2.1 of this report
 - b. The key changes to the generic corporate risk register (**Appendix A**),
 - c. The corporate risk heat maps (**Appendix B**)
 - d. The latest generic corporate risks (**Appendix C**);
 - e. And agree the newly introduced COVID-19 strategic corporate risk register (**Appendix D**)
 - f. Scrutiny options for managing corporate risks (**Appendix E**)
 - g. Background information (**Appendix F**)

12. Background Papers

- 12.1. There are no further background papers to note, other than those already linked within the body of the report.

Officer Contact

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

Key Changes to Corporate Risks

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

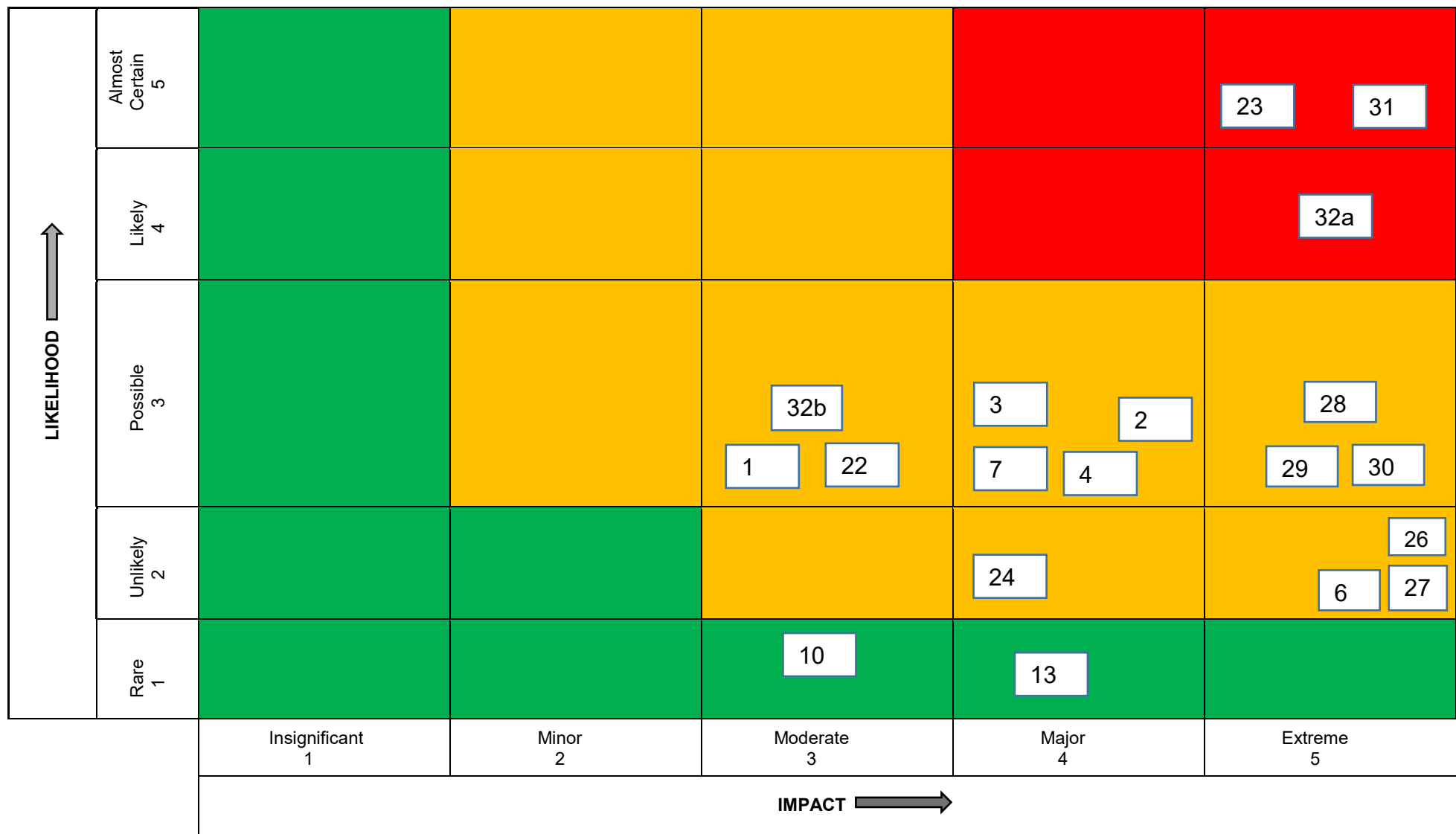
<i>Risk Number</i>	<i>Risk Score Change</i>	<i>Risk title Change</i>	<i>Risk Description Change</i>	<i>Mitigations Change</i>	<i>Risk Owner Change</i>	<i>New Corporate Risk</i>
<i>RM001</i>						
<i>RM002</i>						
<i>RM003</i>					✓	
<i>RM004</i>						
<i>RM006</i>						
<i>RM007</i>					✓	
<i>RM010</i>						
<i>RM013</i>						
<i>RM022</i>						
<i>RM023</i>						
<i>RM024</i>						
<i>RM026</i>						
<i>RM027</i>						
<i>RM028</i>						
<i>RM029</i>						
<i>RM030</i>						
<i>RM031</i>						
<i>RM032a</i>						
<i>RM032b</i>						

Proposed Risk Closure

RM016 - Failure to adequately prepare for and respond to a major disruption to Norfolk County Council services

With the current response to COVID-19 well underway, it is proposed to replace this risk with risk SR016 on the strategic corporate COVID-19 risk register, recognising the risk of concurrent major disruptions and our capacity to manage any second major disruption.

Generic Corporate Risks - Heat Map

**Key**

= Risk score increase



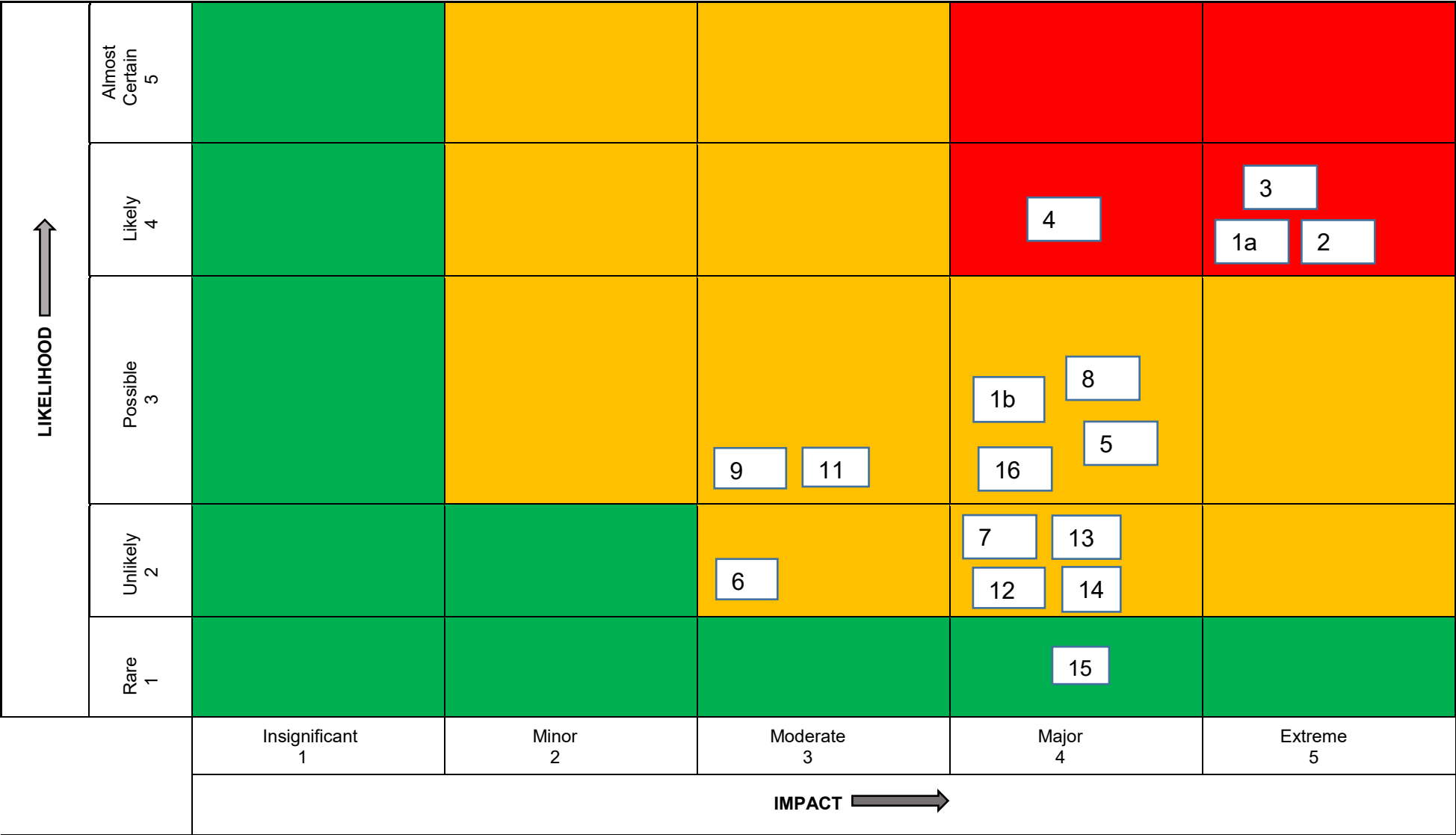
= no score change



= risk score decrease

No.	Risk description	No.	Risk Description
RM001	Not realising infrastructure funding requirements to achieve the infrastructure ambition of the Business Plan.	RM013	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.
RM002	The potential risk of failure to manage significant reductions in local and national income streams.	RM022	Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union which may impact on Council objectives, financial resilience and affected staff ('Brexit').
RM003	Potential for failure to comply with information compliance and information security requirements.	RM023	Lack of clarity on sustainable long-term funding approach for adult social services at a time of increasing demographic pressures and growing complexity of need.
RM004	The potential risk of failure to deliver effective and robust contract management for commissioned services.	RM024	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction to be completed early 2023).
RM006	The potential risk of failure to deliver our services within the resources available for the period 2018/19 to the end of 2020/21.	RM026	Legal challenge to procurement exercise.
RM007	Risk of inadequate data quality resulting from poor data governance, leading to poor decisions being made affecting outcomes for Norfolk citizens.	RM027	Risk of failure of new Human Resources and Finance system implementation.
RM010	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.	RM028	Risk of failure to monitor and manage health and safety standards of third party providers of services.
		RM029	NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term.
		RM030	Non-realisation of Children's Services Transformation change and expected benefits.
		RM031	NCC Funded Children's Services Overspend
		RM032a	Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery)
		RM032b	Effect of COVID-19 on supply chain

COVID-19 Strategic Corporate Risks Heat Map



Key = Risk score increase = no score change = risk score decrease

No.	Risk description	No.	Risk Description
SR001a	Safeguarding of vulnerable children		
SR001b	Safeguarding of vulnerable adults		
SR002	Infection in care homes		
SR003	Funding difficulties due to COVID-19 outbreak		
SR004	Long term strain on the population		
SR005	Major projects and programmes		
SR006	Management of logistics		
SR007	Non-compliance with statutory requirements		
SR008	Social disparity of attainment amongst school children		
SR009	Provision of substitute services		
SR011	Supplier or market failure		
SR012	Not introducing services that are adapted to a physically-distanced environment		
SR013	Failing to take community needs into full consideration		
SR014	Second wave of COVID-19		
SR015	Long term staff sickness		
SR016	Capacity to manage multiple disruptions to business		

Risk Number	RM001					Date of update		06 July 2020		
Risk Name	Not realising infrastructure funding requirements to achieve the infrastructure ambition of the Business Plan									
Portfolio lead	Cllr. Martin Wilby					Risk Owner		Tom McCabe		
Risk Description					Date entered on risk register			03 June 2019		
1) Not securing sufficient funding to deliver all the required infrastructure for existing needs and planned growth leading to: • Congestion, delay and unreliable journey times on the transport network • A lack of the essential facilities that create attractive conditions for business activity and investment, and sustainable communities, including good connectivity, public transport, walking and cycling routes, open space and green infrastructure, and funding for the infrastructure necessary to enable the county council to perform its statutory responsibilities, eg education. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	9	3	3	9	3	2	6	Mar-21	Amber
Tasks to mitigate the risk										
1.1) Work with other county council officers and partners including government, local enterprise partnerships and district councils to compile evidence and the case for investment into infrastructure in order to achieve success through bidding rounds for capital investment. 1.2) Identify and secure funding including Pooled Business Rates (PBR) to develop projects to a point where successful bids can be made for funding through compiling evidence and cases for investment. 1.3) Engage with providers of national infrastructure – Highways England for strategic (trunk) roads and Network Rail for rail delivery – to ensure timely delivery of infrastructure projects, and work with partners on advocacy and lobbying with government to secure future investment into the networks. 1.4) Review Planning Obligations Standards annually to ensure the county council is able to seek and secure the maximum possible contribution from developers. 1.5) Continue to build the relationship with strategic partners including elected representatives, government departments, local enterprise partnerships, regional bodies such as Transport East (the emerging Sub-National Transport Body) and other local authorities to maximise opportunity and work together in the most effective joined-up manner. 1.6) Periodically review timescales for S106, and other, funding contributions to ensure they are spent before the end date and take action as required. Periodic reviews for transport contributions and an annual review process for library and education contributions.										
Progress update										

Progress update

Overall: Impact of Covid-19 likely to affect funding streams in both the short and longer-term.

1.1) DfT has approved NWL to progress to the next stage of development the Department has made a contribution of £1,024,000 towards the costs of developing an Outline Business Case. Continuing to progress work on Long Stratton Bypass, West Winch Housing Access Road and A47/A14 Pullover Junction King's Lynn. Finalising Strategic Outline Business Case for Transforming Cities funding for submission at the end of May.

1.2) Developing schemes and projects including the following, part-funded from Pooled Business Rates: King's Lynn Transport; Norwich Western Link; West Winch Housing Access Relief Road.

1.3) Re-evaluating A47 Alliance work following government announcement of the roads programme in the budget, with no further A47 investment announced. Continuing to work Great Eastern Main Line (Norwich to London): Network Rail have produced a draft study setting out infrastructure constraints for Norwich in 90 services. Local authorities study on wider economic benefits progressing. Continuing to work on Ely Task Force: Network Rail has produced a business case for infrastructure improvements required to unlock a range of additional passenger and freight services. Continuing to support East West Rail Consortium: Eastern Section prospectus published.

1.4) Review of Planning Obligations Standards completed, new standards adopted by Cabinet in September 2019.

1.5) Continuing to work with Transport East on transport strategy; liaising with DfT, Network Rail and Highways England on strategic road and rail schemes; attending wider partnership groups including LEP Transport Board.

1.6) Continuing to update new systems to ensure monitoring is effective and up to date.

Risk Number	RM002					Date of update		06 July 2020		
Risk Name	The potential risk of failure to manage significant reductions in local and national income streams									
Portfolio lead	Cllr. Andrew Jamieson					Risk Owner		Simon George		
Risk Description						Date entered on risk register		31 May 2019		
This may arise from global or local economic circumstances (i.e. COVID-19 / Brexit), government policy on public sector budgets and funding. As a result there is a risk that the Medium Term Financial Strategy savings required for 2018/19- 2021/22 are not delivered because of uncertainty as to the scale of savings resulting in significant budget overspends, unsustainable drawing on reserves, and severe emergency savings measures needing to be taken. The financial implications are set out in the Council's Budget Book, available on the Council's website. Overall risk treatment:Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	12	3	4	12	2	4	8	Mar-21	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 Corporate Board and Members. Regular finance monitoring reports to Cabinet. 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.										
Progress update										
Following the December 2019 General Election the Government announced the Final Local Government Finance Settlement for 2020-21 on 06.02.20 and after being debated in the House of Commons this was confirmed on 25.02.20. County Council on 17.02.20 approved the 2020-21 budget and future Medium Term Financial Strategy taking into account the Final Local Government Finance settlement for 2020-21. The council's external auditors gave an unqualified audit opinion on the 2018-19 Statement of Accounts and were satisfied that the County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31.03.2019. The implications of the COVID-19 response, coupled with continued uncertainty and the further delay of the significant planned reforms for local government finance, represents a major challenge for the Council in developing its Medium term Financial Strategy. Cabinet on 08.06.20 considered the latest financial position and agreed the process for setting a balanced budget for 2021-22 and updated the Medium term Financial Strategy to include a further year (2024-25). Further reports will be presented to Cabinet during the year incorporating future Government funding announcements and updates on the budget planning process in order that County Council can agree the 2021-22 Budget and level of council tax at its February 2021 meeting.										

Risk Number		RM003		Date of update		06 July 2020				
Risk Name		Potential for failure to comply with information compliance and information security requirements.								
Portfolio lead		Cllr. Andrew Proctor		Risk Owner		Andrew Stewart				
Risk Description				Date entered on risk register		05 June 2019				
There is a risk of failing to comply with statutory and/(or) national/local codes of practices in relation to Information Compliance, coupled with a risk of loss of sensitive data. This could lead to significant reputational and financial risk for NCC. This risk is separate to RM007, which looks at the risk of not having the correct or accurate data to make key decisions. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	9	3	4	12	1	4	4	Mar-21	Green
Tasks to mitigate the risk										
1) Implementation of SIRO (Senior Information Risk Owner) , CIO (Chief Information Officer), Corporate Information Management Team encompassing Information Management, Information Governance, Records Management, policies confirming responsibilities. 2) Ensure that information and data held in systems (electronic and paper) is accurate, up to date, comprehensive, secure against security breaches, and fit for purpose to enable managers to make confident and informed decisions. Continue CS data project to retain / destroy data appropriately. 3) Ensure that all staff and managers are provided with training, skills, systems and tools to enable them to meet the statutory standards for information management. 4) Ensure that the mandated eLearning Data Protection 2 year refresher data continues to be sent to CLG on a monthly basis for review and action. 5) SIRO to receive assurance of compliance with statutory and/or national/local codes of practice in relation to information compliance from Information Asset Owners when reporting the Annual Governance Statement. 6) NCC is NHS Information Governance Toolkit compliant to Level 2 7) Embedding and enhancing Cyber Security techniques and Protocols through recommendations from the Cyber Security Audit - i.e data loss, ransomware and system outages etc. in line with National Cyber Security Centre best practice. 8) Embedding of GDPR 9) Undertake a six month review to reduce demand and increase capacity										
Progress update										

Progress update

Head of Information Governance appointed to take forward the SOCITM recommendations and embedding the information governance agenda in NCC. This will enhance many of the mitigations to a higher standard, reducing the risk further over the next two years. An action plan has been developed which will be taken to Corporate Board in July. There is also work planned to review the information risks (RM003 and RM007) to ensure that they remain up to date, suitable mitigations are in place and appropriate owners assigned.

The Chief Legal Officer has responsibility as SIRO and DPO.

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

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

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

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

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

SOCITM Advisory Limited were asked to carry out an Information Management Governance Review.

This was authorised by the Executive Director of Strategy and Governance and led by the Assistant Director of Finance and Commercial Services (Audit) for NCC. Report now complete, recommendations made and action plans drafted for approval.

Risk Number	RM004					Date of update		06 July 2020		
Risk Name	The potential risk of failure to deliver effective and robust contract management for commissioned services.									
Portfolio lead	Cllr. Andrew Jamieson					Risk Owner		Simon George		
Risk Description					Date entered on risk register			02 June 2019		
Ineffective contract management leads to wasted expenditure, poor quality, unanticipated supplier default or contractual or legal disputes. The council spends some £700m on contracted goods and services each year. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	12	3	4	12	2	3	6	Sep-20	Amber
Tasks to mitigate the risk										
<p>1) Implement a proactive system to identify early signs of potential supplier financial failure and respond appropriately.</p> <p>Next steps:</p> <ul style="list-style-type: none">- Develop robust process to respond to CreditSafe alerts- Develop robust process to spot other early warning signs eg late filing of accounts, media monitoring <p>2) Continue to report the pipeline of expiring contracts to Corporate Board every six months.</p> <p>Continue to discuss the pipeline of expiring contracts with CES DMT every quarter.</p> <p>Next steps:</p> <ul style="list-style-type: none">- Start to discuss the pipeline of expiring contracts with other departmental management teams or individual senior managers on a quarterly basis <p>3) Through the contract compliance and optimisation workstream of the Smarter Workstream priority under the Norfolk Futures programme, implement measures to ensure that staff who have contract management as part of their job have the relevant skills and support to manage contracts effectively.</p> <p>Next steps:</p> <p>Implement phased plan as agreed at Corporate Board.</p> <p>4) Develop a standard specification for service transition that can be used as the basis for new sourcing exercises and used to manage transitions effectively.</p> <p>5) Internal audit to conduct an audit of 2 contracts each year from the list of top 50 contracts by value</p> <p>6) Internal audit to undertake audits of the contract management control environment in the three service directorates in second half of the financial year.</p>										
Progress update										
<p>1) Process developed with finance to respond to CreditSafe alerts. Creditsafe contract being reviewed to see whether it remains the best solution.</p> <p>2) Pipeline frequency at Corporate Board increased to quarterly and process in place for monthly review by Director of Procurement and Executive Director of Finance</p> <p>3) Contract compliance and optimisation workstream plan was approved at Corporate Board in December 2019 and phased implementation is under way.</p> <p>4) Transition/handover checklist developed and in use.</p>										

Risk Number	RM006					Date of update		06 July 2020		
Risk Name	The potential risk of failure to deliver our services within the resources available for the period 2018/19 to the end of 2020/21.									
Portfolio lead	Cllr. Andrew Proctor					Risk Owner		Tom McCabe		
Risk Description					Date entered on risk register			13 June 2019		
The failure to deliver agreed savings or to deliver our services within the resources available, resulting in the risk of legal challenge and overspends, requiring the need for in year spending decisions during the life of the plan, to the detriment of local communities and vulnerable service users. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	10	2	5	10	1	5	5	Mar-21	Green
Tasks to mitigate the risk										
1) Clear robust framework, 'Together, for Norfolk - Business Plan' in place which drives the delivery of the overall vision and priority outcomes. The delivery of a council-wide strategy which seeks to shift focus to early help and prevention, and to managing demand.										
2) Delivery against the strategic service and financial planning, by translating the vision and priorities into achieved, delivered targets.										
3) A robust annual process to provide evidence for Members to make decisions about spending priorities.										
4) Regular and robust in-year financial monitoring to track delivery of savings and manage in-year pressures.										
5) Sound engagement and consultation with stakeholders and the public around service delivery.										
6) A performance management and risk system which ensures resources are used to best effect, and that the Council delivers against its objectives and targets.										
Progress update										
Regular budget and performance monitoring reports to Cabinet now set out how the Council is delivering against the 2020/21 budgets and priorities set for each of our services.										
The Council has a robust and established process, including regular reporting to members, which is closely linked to the wider Council Strategy, in order to support the development of future year budget plans taking account of the latest available information about Government funding levels and other pressures. This process includes reviewing service budgets and taking into account financial performance and issues arising in the current financial year as detailed in the budget monitoring reports.										

Risk Number	RM007					Date of update		06 July 2020		
Risk Name	Risk of inadequate data quality resulting from poor data governance, leading to poor decisions being made affecting outcomes for Norfolk citizens									
Portfolio lead	Cllr. Andrew Proctor					Risk Owner		Andrew Stewart		
Risk Description					Date entered on risk register			05 June 2019		
This places the Council at risk of making decisions using data that is not always as robust as it should be. This may lead to poor or ineffective commissioning, flawed decision making and increased vulnerability of clients, service users and staff. This risk is separate to RM003, which looks at the risk of failure to adhere to national and/or local statute or codes of practice relating to information compliance or information security. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	12	3	4	12	2	3	6	Mar-21	Amber
Tasks to mitigate the risk										
1) Implementation of the Information Management Strategy, Information Governance Framework, Data Protection, Information Sharing, Freedom of Information, Records Management, Managing Information Risk, and Information Security. 2) Information Compliance Group (ICG) has the remit to ensure the overarching Information Governance Framework is embedded within business services and NCC and elements of the IM Maturity Readiness Plan. 3) Ensuring that all staff and managers are provided with training, skills, systems and tools to enable them to meet the statutory/NCC standards for information management. 4) Develop and link in to department risks on the management of departmental data.										
Progress update										
Head of Information Governance appointed to take forward the SOCITM recommendations and embedding the information governance agenda in NCC. This will enhance many of the mitigations to a higher standard, reducing the risk further over the next two years. An action plan has been developed which was taken to Corporate Board earlier in July 2020. There is also work planned to review the information risks (RM003 and RM007) to ensure that they remain up to date, suitable mitigations are in place and appropriate owners assigned.										
The ICG has clear terms of reference and a work plan to cover its responsibilities. Data Quality (DQ) audits have been undertaken by internal audit with no significant or concerning outcomes. As part of the Socitm Report the ICG is being reviewed and revised to better fit the growing Informaiton Governance agenda. Other recommendations from the report will support this risk and help reduce the score.										
Manual records management project looking at retention periods of manual records held with BoxIt is providing positive results. This project was moved to the Scottow Records Project but further work will be undertaken as part of the relevant Socitm report recommendation around										

Progress update

records management.

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

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

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

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

Risk Number	RM010					Date of update		06 July 2020		
Risk Name	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.									
Portfolio lead	Cllr. Tom Fitzpatrick					Risk Owner		Simon George		
Risk Description					Date entered on risk register			01 July 2019		
Loss of core / key ICT systems, communications or utilities for a significant period - as a result of a cyber attack, loss of power, physical failure, fire or flood, or supplier failure - would result in a failure to deliver IT based services leading to disruption to critical service delivery, a loss of reputation, and additional costs. Overall risk treatment: Treat.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	3	6	1	3	3	1	3	3	Sep-20	Met
Tasks to mitigate the risk										
1) Full power down completed periodically 2) Replace ageing Local Area Network (LAN) equipment 3) Ensure access to services if County Hall lost by reconfiguring Core Infrastructure Services (DHCP, DNS, Active directory) 4) Implement Cloud-based business systems with resilient links for key areas 5) Replace voice services (contact center / desk phones) with cloud based Microsoft Teams 6) Review and Implement suitable arrangements to protect against possible cyber / ransomware attacks including 7) We will be running a number of Cyber Attack exercises with senior stakeholders to reduce the risk of taking the wrong action in the event of a cyber attack 8) We will hold a number of Business Continuity exercises to understand and reduce the impact of risk scenarios 9) Implement new data centre to reduce the risk of power failure, loss of data connectivity and reduce ICT hardware failures										
Progress update										
1) Full power down completed as required by Property programme plans 2) New Local Area Network equipment has been procured and we are now implementing with County Hall. 3) Access services have been migrated to the new DR site so work can continue if County Hall completely unavailable. 4) We Implement Cloud-based business systems with resilient links for key areas as they are procured, guidance is being refreshed regularly. 5) Contact services have been migrated to a cloud based system. Soft telephony has been successfully rolled out at an accelerated pace following COVID-19. 6) We are still working through the cyber audit actions which are more complex than first thought. 7) The Cyber Attack exercise took place with senior stakeholders to reduce the risk of taking the wrong action in the event of a cyber attack. We delivered an 'EXECSIM' exercise with the Corporate Board to ensure we are fully prepared in the event of a Cyber Attack, communications and approach at a senior level (Jan 2020). We are scheduling a National Cyber Security Centre (NCSC) 'Exercise in a box' session.										

Progress update

for IMT to test our approach during a cyber attack and we will follow this up with a NCSC 'Exercise in a box' exercise for the business leads, resilience team and IMT to jointly rehearse a cyber attack.

8) We have already held a Business Continuity exercise to understand and reduce the impact of risk scenarios and this will be re-run within 12 months to further reduce the risk. Large scale remote access exercise successfully carried out in February 2020, with over 3000 staff working remotely from a non-NCC based site. Since COVID-19 has resulted in the majority of the workforce working from home, the network has been able to cope effectively with a vastly increased number of users working remotely. Exercise Steel will build on the work of Exercise Horseshoe.

9) The new data centre is now live.

The score is based upon steady progress mitigating the risks and running exercises to rehearse what we do in the event of a failure.

Risk Number	RM013					Date of update		06 July 2020		
Risk Name	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions.									
Portfolio lead	Cllr. Greg Peck					Risk Owner		Simon George		
Risk Description					Date entered on risk register			02 July 2019		
The failure of governance leading to controlled entities: Non Compliance with relevant laws (Companies Act or other); incurring significant losses or losing asset value; taking reputational damage from service failures; being mis-aligned with the goals of the Council. The financial implications are described in the Council's Annual Statement of Accounts 2019-20. Overall risk treatment: Treat This risk is scored at a likelihood of 1 due to the strong governance in place and an impact score of 4 given the size of the controlled companies.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
1	4	4	1	4	4	1	4	4	Mar-21	Met
Tasks to mitigate the risk										
<p>1) All controlled entities and subsidiary companies have a system of governance which is the responsibility of their Board of Directors.</p> <p>The Council needs to ensure that it has given clear direction of it's policy, ambitions and expectations of the controlled entities.</p> <p>The NORSE Group objectives are for Business Growth and Diversification of business to spread risks. Risks need to be recorded on the Group's risk register.</p> <p>2) The NORSE board includes a Council Member and is currently chaired by the Executive Director of Strategy and Governance for the Council. There is a shareholder committee comprised of six Members. The shareholder committee should meet quarterly and monitor the performance of NORSE. A member of the shareholder board, the shareholder representative, should also attend the NORSE board.</p> <p>3) The Council holds control of the Group of Companies by way of its shareholding, restrictions in the NORSE articles of association and the voting rights of the Directors. The mission, vision and value statements of the individual NORSE companies should be reviewed regularly and included in the annual business plan approved by the Board. NORSE should have its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines the controls that the Council exercises over NORSE and the actions which require prior approval of the Council.</p> <p>4) To ensure that governance procedures are being discharged appropriately to Independence Matters. The Executive Director for Finance and Commercial Services' representative attends as shareholder representative for Independence Matters.</p> <p>5) Approve the Outline Business Case for Repton Property Developments Ltd.</p> <p>6) Shareholder representation required from the Executive Director of Finance and Commercial Services on both the Norse, and Repton Boards.</p>										
Progress update										

Progress update

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

Risk Number	RM022					Date of update		06 July 2020		
Risk Name	Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff ('Brexit').									
Portfolio lead	Cllr. Graham Plant					Risk Owner		Tom McCabe		
Risk Description					Date entered on risk register			01 July 2019		
Four important implications to the Council: 1) The Council's EU funded programmes supporting the local economy. 2) The legal base – substantial change needed structured around No Deal scenario and likelihood of No Deal. 3) Council services dependent on a migrant workforce – for example nationally, 7% of existing adult social care staff come from other EU nations. 4) Place-based impact – there will be real and varied impacts and opportunities in our local economy. There is a risk that initially, implications for Norfolk County Council of the UK leaving the EU are not known or understood, causing uncertainty in Council business, planning, and service delivery. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	9	3	3	9	2	3	6	Dec-20	Amber
Tasks to mitigate the risk										
NCC 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).										
1) Regular meetings are taking place with the Ministry for Housing, Communities and Local Government (MHCLG) 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.										
2) We have agreed the principles 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.										
3) Human Resources to support managers and staff who may be affected by this issue.										
4) Understand the risks and implications of Brexit to service delivery, wider community and business continuity in conjunction with COVID-19.										
We have jointly commissioned work with the LEP and Suffolk County Council to understand the business impact of Brexit within the New Anglia area and particular sectors likely to be affected, such as agriculture (potential for post-Brexit tariffs making export of some products unviable). Also, signposting to information from Government on preparations businesses should make is available at www.newanglia.co.uk .										
Progress update										

Progress update

1) The Treasury Guarantee provides assurance that funding is assured in the event of a deal for projects committed by 31 December 2020. The Internal Project Board is aware of NCC liabilities; nplaw have drafted a Deed of Guarantee seeking written assurance from MHCLG that they will meet our liabilities in order to close the Programme. MHCLG have raised the issue with Ministers, as well as our MA status after we leave the EU. This will now fall under the detailed work around payment mechanisms following the confirmation of extended programme completion.

The Green Paper regarding the Shared Prosperity Fund has still not yet been published and is not expected until the 2020 Autumn Statement, at the earliest. We continue to work with New Anglia and other relevant partners and will report the proposals and our response to members when it has been published.

2) MHCLG have advised they will issue a new set of planning assumptions around a no deal Brexit in due course. NCC Brexit Silver Group and Resilience Reps looked at reasonable worst case planning assumptions in Operation Yellowhammer. Work we had done prior to the original leave date meant that we had covered these potential impacts already.

NCC Brexit risk register completed identifies all Brexit risks & mitigations & is available on Sharepoint. There is now a transition period until the end of 2020, while the UK and EU negotiate additional arrangements. The current rules on trade, travel, and business for the UK and EU continue to apply during the transition period. By 1 January 2021 we will either start a new relationship with the EU or leave without a trade deal.

3) Potential loss of staff for NCC and our service providers was looked at and is under continued review. Signposting to HM Govt websites was undertaken and correspondence sent to service providers. Most recent update:

- Keeping HR Direct up to date with developments to advise staff
- Refreshing employee information on peoplenet
- Undertook exercise to refresh employee data on nationality status
- Provided information to key stakeholders within social care on the pilot
- Surveyed Heads of Services/Departments regarding impacts

4) 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.

A task force has been set up, asking each Directorate to provide a summary of the risk posed to them and their service provision by Brexit. Service delivery risks involving the availability of fuel and supply of food are being managed, to ensure that the Council is prepared for any such eventualities. These two issues have been subject of individual NRF multi-agency task & finish groups. Information has been fed back to NCC Silver Group meetings and resilience reps, for them to consider impacts. Covered in full in NCC Brexit Risk Register. Our revised Business Impact Analysis requires departments to identify fuel requirements to deliver critical activities. NCC prepares the NRF Fuel Emergency Plan so we are well embedded into the process.

The NCC website now offers information for businesses and individuals, including our EU No Deal Exit Strategy <https://www.norfolk.gov.uk/what-we-do-and-how-we-work/preparing-for-brexit>

Risk Number	RM023					Date of update		06 July 2020		
Risk Name	Failure to respond to changes to demography, funding, and government policy, with particular regard to Adults Services.									
Portfolio lead	Cllr. Bill Borrett					Risk Owner		James Bullion		
Risk Description						Date entered on risk register		18 August 2017		
Whilst acknowledging the pressures on adult social services, and providing some one-off additional funding, the Government has yet to set out a direction of travel for long-term funding. At the same time, the pressures of demography and complexity of need continue to increase. This makes effective strategic planning highly challenging and there is a risk that short-term reductions in support services have to be made to keep within budget; these changes are likely to be counter to the long-term Promoting Independence strategy. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
5	5	25	5	5	25	2	4	8	Dec-20	Amber
Tasks to mitigate the risk										
1) Implementation of Promoting Independence Strategy. This strategy is shaped by the Care Act with its call to action across public services to prevent, reduce and delay the demand for social care. The strategy aims to ensure that demand is understood and managed, and there is a sustainable model for the future. 2) As part of the strategy, a shift of spend towards targeted prevention, reablement services, enablement, and strengthened interim care. 3) Implementation of Better Care Fund plans which promote integration with the NHS and protect, sustain and improve the social care system. 4) Judicious use of one-off winter funding, as announced by Government. 5) Close tracking of government policies, demography trends and forecasts. 6) A new set of NCC corporate priorities which aims to address longer-term demand management in children's and adult services.										
Progress update										
1) Demand and demography modelling continues to be refined through the cost and demand model. Five main themes for transformation: Services for people with a learning disability; maximising digital technology; embedding strengths-based social work through Living Well; 3 conversations; health and social care integration and housing for vulnerable people. 2) Sector based plans for providers which model expected need and demand associated with demographic and social change 3a) Strengthened investment in prevention, through additional reablement, social prescribing, local initiatives for reducing social isolation and loneliness 3b) Workforce – continued recruitment campaign to sustain levels of front line social workers and occupational therapy staff.										

Progress update

3c) Better Care Fund targeted towards supporting people to stay independent, promoting and enabling closer integration and collaboration across health and social care.

4) Close joint working with NHS, through the STP, to shape and influence future integration of health and social care

5) We are still awaiting the Green Paper on Social Care; will now review the NHS 10-year Plan and establish how this will impact on the direction of travel for health and social care

6) Collaboration with children's services to develop a preparing for adult life service to strengthen transition experience for young people, and to improve service and budget planning.

New risks directly related to COVID-19 are detailed on the Council's strategic corporate COVID-19 risk register.

Risk Number	RM024					Date of update		06 July 2020		
Risk Name	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction to be completed early 2023)									
Portfolio lead	Cllr. Martin Wilby					Risk Owner		Tom McCabe		
Risk Description					Date entered on risk register			14 June 2019		
There is a risk that the 3RC project will not be delivered within budget and to the agreed timescales. Cause: delays during statutory processes put timescales at risk and/or contractor prices increase project costs. Event: The 3RC is completed at a later date and/or greater cost than the agreed budget, placing additional pressure on the NCC contribution. Effect: Failure to construct and deliver the 3RC within budget would result in the shortfall having to be met from other sources. This would impact on other NCC programmes. Overall risk treatment: Treat, with a focus on maintaining or reducing project costs and timescales.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	4	8	2	4	8	2	3	6	Jan-23	Amber
Tasks to mitigate the risk										
The project was agreed by Full Council (December 2016) as a key priority infrastructure project to be delivered as soon as possible. Since then, March 2017, an outline business case has been submitted to DfT setting out project costs of 120m and a start of work in October 2020. 80% of this project cost has been confirmed by DfT, but this will be a fixed contribution with NCC taking any risk of increased costs. Mitigation measures are: 1) Project Board and associated governance to be further developed to ensure clear focus on monitoring cost and programme at monthly meetings. 2) NCC project team to include specialist cost and commercial resource (bought in to the project) to provide scrutiny throughout the scheme development and procurement processes.This will include independent audits and contract/legal advice on key contract risks as necessary. 3) Programme to be developed that shows sufficient details to enable overall timescales to be regularly monitored, challenged and corrected as necessary by the board. 4) Project controls and client team to be developed to ensure systems in place to deliver the project and to develop details to be prepared for any contractual issues to be robustly handled and monitored. 5) All opportunities to be explored through board meetings to reduce risk and programme duration. 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. Progress update report provided to Audit Committee. A gateway review was completed to coincide with the award of contract decision making - the findings have been reported to the project board (there are no significant concerns identified that undermine the project delivery). Internal audit on governance ongoing during Feb 19 - report now finalised (dated 14 August 2019) and findings were rated green. 2) Specialist cost and commercial consultants have been appointed and will continue to review project costs. The first element of work for the cost consultant was to review project forecasts. The Commercial Manager will continue to assess the project forecast on a quarterly basis, with monthly interim reporting also provided to the board. No issues highlighted to date and budget is considered sufficient - this work was previously used to update the business case submitted to and accepted by DfT. A further budget review was completed following appointment of the contractor (initial assessments based on tendered submissions provided sufficient confidence to award the contract - in accordance with delegated authority).

3) An overall project programme has been developed and will be owned and managed by the dedicated project manager. Any issues will be highlighted to the board as the project is delivered. Programme updated to fully align procurement and Development Consent Order (DCO) processes. Following the award of the contract, from January 2019, the programme is now focussed on delivering the DCO. Development Consent Order submitted to the Planning Inspectorate (PINS) by end of April 19 as per agreed timescales. The start of DCO examination was 24 September 2019, with a finish date on 24 March 2020. The approval of the DCO is now expected not later than 24 September 2020. 4) Learning from the NDR and experience of the commercial specialist support has been utilised to develop contract details ahead of the formal commencement of the procurement process, which was 27 February 2018. Further work fed into the procurement processes (and competitive dialogue) with the bidders. The commercial team leads were in place from the start of the contract (January 2019). 5) The project board will receive regular (monthly) updates on project risks, costs and timescales. A detailed cost review was delivered to the board ahead of the award of the contract (following the delegated authority agreed by Full Council), and took into account the contractors tender pricing and associated project risk updates. The project currently remains on budget and the programme to complete the works and open the scheme in early 2023 is still on track.

Risk Number		RM026		Date of update		06 July 2020				
Risk Name		Legal challenge to procurement exercise								
Portfolio lead		Cllr. Andrew Jamieson		Risk Owner		Simon George				
Risk Description			Date entered on risk register			04 June 2019				
That alleged breach of procurement law may result in a court challenge to a procurement exercise that could lead to delay, legal costs, loss of savings, reputational damage and potentially significant compensation Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	10	2	5	10	1	5	5	Sep-20	Green
Tasks to mitigate the risk										
Review processes and practice in light of recent caselaw, in particular Amey Highways Ltd v West Sussex County Council [2019] EWHC 1291 (TCC) and Lancashire Care NHS Foundation Trust & Anor v Lancashire County Council [2018] EWHC 200 (TCC).										
1) At team meeting, remind procurement staff of need to escalate any proposal to run a procurement exercise in an unreasonably short timescale										
2) Take pipeline to corporate board every six months and to directorate management teams quarterly to minimise risk of rushed procurement exercises.										
3) Seek corporate board sign-off for new approach with consistently adequate timelines,fewer evaluators and greater control over choice of evaluator										
4) Review scale of procurement exercises, avoid unnecessarily large exercises that increase risk and complexity and the scale of any damages claim.										
5) Make incremental change to instructions to evaluators and approach to scoring and documenting rationale, and test on tender NCCT41801										
6) Review standard scoring grid and test 'offline' on tender NCCT41830										
7) Review template provisional award letter										
8) Develop standard report to decision-maker										
9) Make more significant changes to instructions to evaluators and pilot new approach on a future tender.										
10) Pilot new scoring grid in a future tender										
11) Institute formal annual review of sourcing processes in light of developments in case law. Review each December; add to senior staff objectives.										
Additional tasks identified:										
12) Update HotDocs to include definitive versions of new templates										
13) Formal sign-off of updated process by Nplaw										
14) Further formal training for procurement officers										
Progress update										

Progress update

- 1) Reminder given at team meeting - complete
- 2) Pipeline report frequency now quarterly. Pipeline being discussed with EDs or senior commissioners before each board - complete
- 3) Corporate board has signed off the new approach - complete
- 4) Ongoing as need to consider each procurement on a case by case basis.
- 5) Evaluator guidance was updated immediately. More significant changes have also now been implemented - see 9. Complete.
- 6) Scoring grid was updated as planned. Complete.
- 7) Template provisional award letter has been reviewed and updated. Complete
- 8) Existing reports have been reviewed and new report is being developed. Complete.
- 9) Evaluator guidance updated and in use as standard. Feedback from evaluators is positive. A new mechanism for capturing feedback on tenders is now in use after extensive piloting.
- 10) Scoring grid has now been updated and is in use as standard. - Complete
- 11) Added to senior staff objectives. Reviewed January 2020; no new issues identified beyond those in this risk 26

Risk Number	RM027					Date of update		06 July 2020		
Risk Name	Risk of failure of new Human Resources and Finance system implementation									
Portfolio lead	Cllr. Tom FitzPatrick					Risk Owner		Fiona McDiarmid		
Risk Description					Date entered on risk register			16 August 2019		
Risk that there is a significant impact to HR and finance services through potential lack of delivery of the new HR & finance system. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	10	2	5	10	2	2	4	Sep-21	Green
Tasks to mitigate the risk										
1) Thorough business case to assess Current issues, and solutions available, approved by Cabinet. 2) Third party assurance of plans and timescales 3) Rigorous procurement process 4) Benefits focus, including senior role with responsibility for benefits realisation 5) Rapid recruitment of programme team to avoid delay 6) Strong governance of time and budget										
Progress update										
1) Cabinet approved the business case in May 2019. 2) On-going visibiliity of the plans via Assurance and Compliance Group, also the Corporate Select Committee had attended a workshop on the project implementation plan which had been well received. 3) Procurement started 31st October 2019 for the release of the ITT (invitation for tender), which was issued on 29 October 2019 (as planned). 4) Eight benefit themes applied to the project from the outset, programme board are responsible for delivering against these benefits. 5) Recruitment for phase one has successfully brought on to the team all required staff; planning for phase two roles ongoing. 6) Governance managed by project board and programme board for project plans and budget. 7) The business case will be revised and scrutinised before any decision to proceed with the procurement is made. Procurement decision delegated by Cabinet to Exec Director S&G in consultation with ED for FCS, the Leader of Cabinet Member for Innovation, Transformation and Performance.										

Risk Number	RM028					Date of update		06 July 2020		
Risk Name	Risk of any failure to monitor and manage health and safety standards of third party providers of services									
Portfolio lead	Cllr. Andrew Proctor					Risk Owner		Fiona McDiarmid		
Risk Description					Date entered on risk register			29 July 2019		
The potential for the Council not proactively monitoring and managing third party providers to ensure the standards of health and safety. There is a risk of prosecution for health and safety failings, reputational damage and a failure to deliver services. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	5	20	3	5	15	2	5	10	Mar-21	Green
Tasks to mitigate the risk										
1) HSW team to undertake remote monitoring of high risk areas e.g accomodation providers										
2) Departments to investigate specific concerns raised by the surveys										
3) Departments to review their approach to contract management and implement sustainable improvements in monitoring with the support of Health and Safety Team (HSW)										
Progress update										
1) Monitoring undertaken by HSW Q3 2017/18 Report taken to CLT with findings Q4 2017/18 - actions 2 & 3 agreed at CLT.										
2) Departments have reviewed their approach to contract management and integrated responsibilities into roles in revised structures.										
3) Monitoring is actively in place for a number of services and is due to commence for other services throughout 2020/21. Monitoring of service providers has significantly improved.										
The Health and Safety Team have been focussing efforts on carrying out risk assessments ahead of the re-opening of sites for service delivery.										

Risk Number	RM029		Date of update		06 July 2020					
Risk Name	NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term									
Portfolio lead	Cllr. Andrew Proctor			Risk Owner	Fiona McDiarmid					
Risk Description			Date entered on risk register		29 July 2019					
There is a risk that a range of critical new/future skills are not available within NCC in the medium to longer term. The lack of these skills will create problems for, or reduce the effectiveness of service delivery. An inability or failure to consider/identify these until they are needed will not allow sufficient time to develop or recruit these skills. This is exacerbated by: 1.The demographics of the workforce 2.The need for changing skills and behaviours in order to implement new ways of working including specialist professional and technical skills (in particular IT, engineering, change & transformation; analytical; professional best practice etc) associated with the introduction or requirement to undertake new activities and operate or use new technology or systems - the lack of which reduces the effective operation of NCC . 3.NCC's new delivery model, including greater reliance on other employers/sectors to deliver services on our behalf 4.Significant changes in social trends and attitudes, such as the use of new technology and attitudes to the public sector, which may impact upon our 'employer brand' and therefore recruitment and retention 5.Skills shortages in key areas including social work and teaching 6.Improvements to the UK and local economy which may impact upon the Council's ability to recruit and retain staff. 7.Government policy (for example exit payment proposals) and changes to the Council's redundancy compensation policy, which could impact upon retention, particularly of those at more senior levels and/or older workers. 8. Brexit uncertainty impacting in some sectors Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	15	3	5	15	2	5	10	Mar-21	Green
Tasks to mitigate the risk										
<ul style="list-style-type: none">• Identification of what new critical skills are required in services – As each directorate makes their changes to make savings / manage demand• Identification of pathways to enable staff to learn, develop and qualify into shortage areas – As each directorate makes their changes to make savings / manage demand• Challenge ourselves, is there another way this can be delivered?• Explore further integration with other organisations to fill the gaps in our workforce - ongoing• Develop talent pipelines working with schools, colleges and universities• Undertake market rate exercises as appropriate and review employment packages• Explore / develop the use of apprenticeships; this will help grow talent and act as a retention tool• Work with 14 – 19 providers and Higher Education providers to ensure that the GCSE, A level and Degree subjects meets the needs of future workforce requirements.										
Progress update										

Progress update

We are utilising the apprenticeship levy to focus on critical areas e.g. Social Work, Fire Service Workforce Development Plans in services are in development focusing on areas of critical service delivery. We are also developing an improved approach to workforce planning through accessing regional expertise and support

We have developed key Organisational Development priorities of future and roles of work in NCC, supporting an effective organisation, recruiting for strengths, creating life friendly careers and the deal in service of our people vision. Implementation plans are in development for these areas

We are a Cornerstone Employer, and have a silver award for the Armed Forces Convenance, supporting an inclusive approach to recruitment

We are revising our mandatory training policy to support key skills and knowledge of our workforce Implementation of HR & Finance system will give us capability to improve our workforce planning through real time reporting, improved data and access to talent information

We are developing our branding of NCC to attract people with the future skills we need to continue to be successful and deliver NCCs vision and strategy

We are working with partners to establish joined up recruitment and systems streamlining needs

We have reshaped our core learning and development offer to the organisation through the Norfolk Development Academy and Social Care Academy e.g. digital skills, leadership and management skills

The Human Resources Team have been focussing their staff resources on addressing work related to COVID-19. This risk will continue to be mitigated with an ongoing commitment to ensuring that the Council continues to operate effectively with the required skillsets of its staff in place going forward.

Risk Number		RM030		Date of update		06 July 2020				
Risk Name		Non-realisation of Children's Services Transformation change and expected benefits								
Portfolio lead		Cllr. John Fisher		Risk Owner		Sara Tough				
Risk Description				Date entered on risk register		08 August 2019				
There is a risk that Children's Services do not experience the expected benefits from the transformation programme. Outcomes for children and their families are not improved, need is not met earlier and the increasing demand for specialist support and intervention is not managed. Statutory duties will not be fully met and the financial position of the department will be unsustainable over time. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	5	20	3	5	15	1	5	5	Mar-23	Amber
Tasks to mitigate the risk										
1) A demand management and prevention strategy and associated business cases have been completed and a 5 year transformation programme has been established covering social care and education										
2) Significant investment has been provided to delivery transformation including £12-15 million for demand management and prevention in social care and £120m for capital investment in Specialist Resource Bases and Specialist Schools										
3) A single senior transformation lead, operational business leads and a transformation team have been appointed / aligned to direct, oversee and manage the change										
4) Scrutiny structures are in place through the Norfolk Futures governance processes to track and monitor the trajectories of the programme benefits, risks and issues										
5) Services from corporate departments are aligned to provide support to transformation change e.g. HR, Comms, IT, Finance etc										
6) Interdependencies with other enabling transformation programmes e.g. smarter working will be aligned to help maximise realisation of benefits.										
Progress update										
8/6 – It is anticipated there will be a 6 month impact on benefits realisation as a result of the COVID-19 crisis. There is also the potential for a delayed surge in demand for services as lockdown is lifted and new need is identified.										
Majority of transformation, operational and corporate resource has been redirected to support emergency COVID response during lockdown. Resources are now beginning to focus on restarting transformation during re-set and recovery phase.										
1) Leads and transformation team in place. Roles involved in transformation will increase and decrease in line with programme demand. Currently increasing our capacity to support projects as part of the SCARF and SEND & AAP transformation programmes.										
2) SEND transformation workstreams are established, project mandates agreed and the capital programme for the first build is underway. Current profile of £12-15m investment is £2m per year. The Council has also agreed additional £5m front-line										

Progress update

staffing investment p/a from 2020-21.

3) SEND consultation stages / work with IMPOWER completed and design stage underway for Specialist Resource Bases (SRBs) and revised Inclusion Model.

4) Governance structures and reporting processes in place and being actively used through stocktake meetings and trajectory reports. Transformation Board has refreshed to focus on Benefits Realisation and has cross council representation both Members and Officers.

5) High level of engagement from corporate departments. Finance and HR use business partner model to embed expertise directly in department. Resource requirements are being managed in line with demand.

6) Business transformation “interlocks” are being used to manage interdependencies between programmes in Children’s Service and the Business Transformation Programme. Other change programme are managed as required e.g. the alignment of the roll-out of new mobile devices and apps to enable greater mobile working.

Risk Number	RM031					Date of update		06 July 2020		
Risk Name	NCC Funded Children's Services Overspend									
Portfolio lead	Cllr. John Fisher					Risk Owner		Sara Tough		
Risk Description					Date entered on risk register		01 September 2019			
There is a risk that the NCC Funded Children's Services budget results in a significant overspend that will need to be funded from other parts of Norfolk County 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
5	5	25	5	5	25	4	5	20	Dec-20	Amber
Tasks to mitigate the risk										
<p>Improved monitoring systems identified and revised CSLT tier 2, 3 & 4 structure proposed. Transformation programme that is targeting improvement to operating model, ways of working, and placement & sufficiency to ensure that intervention is happening at the right time, with the right children and families supported, with the right types of support, intervention & placements. This will result in improved value for money through ensuring that money is spent in the right places, at the right times with the investment in children and families resulting in lower, long-term costs. In turn, this will enable the most expensive areas of NCC funded spend (placement costs and staffing costs) to be well controlled and to remain within budget. Cohorts will be regularly analysed to ensure that all are targeted appropriately.</p> <p>The Functioning Family Therapy service has been launched. Family Group Conferencing is being reintroduced.</p> <p>Recognition of underlying budget pressures within recent NCC budgets and within the MTFs, including for front-line placement and support costs (children looked after, children with disabilities and care leavers), operational staffing, and home to school transport for children with SEND.</p>										
Progress update										
<p>Improved monitoring systems in place and becoming embedded: LAC tracker, Permanance Planning Meetings, DCS Quarterly Performance meetings, weekly Getting to Good Meetings and newly established Transformation and Benefits Realisation Board chaired by Cabinet Member CS and attended by members and CLT.</p> <p>Multiple Transformation projects under-way, including Fostering Recruitment, with further projects in development, including Enhanced Fostering. The new operating model went live on 15th June 2020. Norfolk has been successful in being awarded DfE funding to introduce the No Wrong Door model in partnership with North Yorks. This is a proven model at working with adolescents differently improving outcomes and reducing costs. Due to COVID this project is currently paused until at least August 2020. Children Looked After numbers have now been in steady sustained decline for a 12 month period, which will result in reduced overall placement costs. The rate of reduction has slowed during COVID-19, but remains stable. Where numbers have reduced, there are a number of very high cost placements that have impacted financial savings. A number of existing transformation projects are in train to support these young people more effectively and reduce costs over the medium term.</p>										

Risk Number	RM032a					Date of update			16 July 2020		
Risk Name	Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery)										
Portfolio lead	Cllr. Andrew Proctor					Risk Owner		Tom McCabe			
Risk Description					Date entered on risk register			27 February 2020			
There is a risk of disruption to service delivery if there are widespread cases of COVID-19 in Norfolk affecting the health, safety and wellbeing of Norfolk County Council and contracted partner employees. This could impact on Norfolk County Council financially and reputationally. Cause: Not effectively containing COVID-19. Event: Widespread positive cases of COVID-19 across Norfolk, affecting NCC staff, partners, and service users. Effect: There are potential effects on staff, partner organisations, and service user's health, safety and wellbeing if there is widespread exposure to COVID-19 within Norfolk. Overall risk treatment: Treat											
Original			Current			Tolerance Target					
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date	
2	5	10	4	5	20	3	2	6	Mar-21	Green	
Tasks to mitigate the risk											
1) Coordination of communications to make staff, service users, and contracted third parties aware of the latest guidance from Public Health England to help to contain cases of COVID-19, provide reassurance of the Council's response to COVID-19, contribute to the support structure, and demonstrate leadership. Action owner: James Dunne 2) Ensuring staff continue to be provided with information on safe working, particularly for those working in the community. To continue to ensure that measures to support mental health are available. Action owner: Derryth Wright 3) Modelling to be carried out to give best estimates on the prevalence of COVID-19 in Norfolk. Action Owner: Tim Winters 4) Adaptation of Business Continuity arrangements to meet service demands. Business Continuity Plan owners will need to review BCP's with their management teams to ensure that they reflect changes since COVID-19 which could affect current plans around such events as a loss of ICT, loss of a key system, shortage of key personnel, recognising other current priorities of services. Action Owner: Heads of Service 5) Incident Management arrangements in place with Gold and Silver meeting regularly and feeding in to Tactical Coordination Group / Strategic Coordination Group meetings. To ensure that key decisions within departments are recorded. Action owners for Normalisation and Recovery Phase development work: Al Collier and Andrew Staines 6) Maintain close contact with third party providers to ensure they are operating to expectations. Action Owner: Gary Heathcote 7) Assessment of financial impact. Action Owner: Harvey Bullen 8) Further second stage risks in case of failure to contain COVID-19 need to be considered. Action Owner: Thomas Osborne 9) Identifying nuanced implications of pupils returning to school and working to ensure that all aspects of this are managed. Action Owner: Chris Snudden 10) Ensuring that we are fully compliant with the recently passed Coronavirus Act 2020. Action Owner: All Heads of Service 11) To consider how and when sites might be re-opened for staff on a prioritisation basis using any revised government guidance, where and when it is safe to do so. Action Owner: Derryth Wright											

- 1) Communications have gone out to all staff advising on how to seek further guidance issued by Public Health England. External communications to third parties are reviewed to ensure that external communications as well as internal communications are consistent. Communications are providing reassurance of the Council's response to COVID-19, contributing to the support structure, and demonstrating leadership. Members are receiving a Members Briefing document.
- 2) Staff continue to receive guidance on safe working, including the use of personal protective equipment provided. Steps have been taken to ensure people have access to any mental health support they may need including Norfolk Support Line, Mental Health First Aid Champions, wellbeing officers, and online e-Learning on personal resilience, all of which are available to staff. Support channels continue to be widely communicated to staff. This is important to help to mitigate the risk of staff feeling isolated from prolonged home working. Significant changes re. PPE have been incorporated in the guidance. Risks covering health and wellbeing are being managed on the corporate COVID-19 strategic risk register, which was reported to July 2020 Cabinet and will be reported to July 2020 Audit Committee. The wellbeing staff survey will provide insight to the wellbeing of the workforce both pre- and during COVID-19.
- 3) Modelling is currently being carried out to provide further understanding of the numbers of expected cases in Norfolk. We are also modelling to align numbers of resources to how many we think we need e.g. for social care discharges, community food distribution, and projected mortality rates. There are some COVID-19 epidemic curve forecasts being produced at a national and regional level. These are for mortality, hospital admissions and infection prevalence. We are looking to take these and apply them to our local population like we have done previously. This will give us a couple of scenarios around which to estimate future system capacity required for testing, hospital admissions, hospital discharges and mortality. The Head of Public Health Information is reviewing the implications for Norfolk of the potential national scenarios as and when published, including the challenges ahead for Winter 20/21.
- 4) Service delivery is being modified to adapt to the everchanging demands on services: In relation to care homes, the Health Protection Care Provider delivery group continues to support collaboration between NCC and Norfolk & Waveney CCG and has been developed to both prevent new outbreaks in care homes and support those currently experiencing an outbreak. The service went live on 4 May 2020 and initially ran for 7 days a week 08.00-20.00. Opening hours have been modified according to need. The Care Provider Incident Room (managed by N&W CCG) is the single point of contact for care homes to access support and advice and to report outbreaks. The Outbreak Management Team (managed by NCC) includes a Multi-disciplinary team with the ASSD Quality team working with Public Health consultants to manage outbreaks and to offer wrap around support to care homes.
Enhanced arrangements continue to be in place for governance & oversight, infection control, testing, PPE & clinical equipment, workforce support and financial support, which has reduced the care homes element of this overall risk. Business Continuity plans continue to be reviewed, focusing on specific risks such as a loss of Teams/IT.
- 5) Departmental updates are being fed in to the appropriate forums, in order to gauge impact across the Council. Having now entered the normalisation and recovery phases, a Recovery Group has been established, replacing the Gold and Silver groups. Recovery work continues at pace to re-open services safely and sustainably, with services now beginning to re-open where previously temporarily closed.
- 6) Third party contracted partners have been contacted to ensure that they are signposted to where to seek additional direction in case of need. Levels of correspondence between the NCC Quality Assurance team and Care Homes relating to all care aspects of COVID-19 has stabilised.
- 7) There is financial monitoring of in-year cost to address the impact of COVID-19 within departments, with monitoring of 2020-21 spend reported to Cabinet on a monthly basis and monitoring of COVID-19 spend reported to Corporate Board regularly. Financial forecasting is taking place to further understand where there are likely to be areas of greater financial challenges as a result of COVID-19 beyond 2020-21. There will be an updated MTFS position reported to Cabinet in September, savings proposals published for consultation in October, budget setting meeting of Full Council in February, and monitoring reports taken to Cabinet in 2021-22. Work is being carried out by Departmental Leadership Teams, the Recovery Group and the Business Transformation Programme on future savings required. Savings proposals will be taken to Budget Challenge sessions in July and September for Member review and then taken to October Cabinet.
- 8) Emerging COVID-19 risks are now being mitigated on the strategic COVID-19 risk register to ensure common risks are identified. Long term risks around recovery are also being considered along with their appropriate governance. Departmental level COVID-19 specific risks are being monitored on departmental risk registers with the Risk Management Officer attending DMT meetings to discuss with departmental management teams.
- 9) The Council is working to understand the nuanced implications of the returning to school for school children. Staff with children continue to show great flexibility around family needs. The Health and Safety team are working with Children's Services (CS) on the general monitoring programme, with Children's Services identifying which schools require additional support. Health and Safety are providing feedback to CS with common themes to address.
- 10) Departments continue to adapt to the Coronavirus Act 2020.
- 11) The Council is now in its normalisation and recovery phase, with services beginning to re-open where previously temporarily closed. Government advice continues to be followed, including expectations about the continuation of home working and advice on physical distancing measures. The recovery structure has been finalised and circulated. All of the highest-prioritised services identified for re-starting have now had at least their initial consultation with a Health and Safety officer, with many at a more advanced stage of sign off for re-opening. Additional resource has been procured for the Health and Safety team to increase risk assessment processing capacity.

Risk Number	RM032b					Date of update			16 July 2020	
Risk Name	Effect of COVID-19 on supply chain									
Portfolio lead	Cllr. Andrew Jamieson					Risk Owner		Simon George		
Risk Description					Date entered on risk register			27 February 2020		
There is a risk of supply chain disruption affecting the procurement of vital products including Personal Protective Equipment (PPE). Cause: Factory closures, shipping delays or supplier restrictions. Event: Delays to accessing vital products. Effect: Alternative effective provisions or plans needing to be made. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	9	2	4	8	3	2	6	Sep-20	Green
Tasks to mitigate the risk										
1) Identify services and projects that are particularly dependent on supplies, particularly from the Far East or where loss of Far East supplies may cause competition for local supplies. 2) Contract managers to engage with suppliers, undertake impact assessment and develop plans, which may include: (a) maintaining buffer stocks; (b) postponing non-critical projects; (c) seeking alternative sources of supply 3) Prioritising existing PPE stock distributing to staff on an essential basis and providing guidance on how to use and preserve stock as much as possible.										
Progress update										
1) Projects and services that are particularly dependent on global supplies have been identified. Supply chains for the likes of IMT and vehicle parts remain relatively stable. 2) Contract managers are engaging with suppliers, and are undertaking impact assessments and developing plans to ensure resources are directed to where they need to be according to criticality of service delivery. Schools have been contacted regarding standard PPE packs, and an additional pack of masks which are available to purchase. a) The availability of PPE has improved. b) Projects of a non-critical nature continue to be reviewed. Planning is underway for the recommencing of construction projects. Risk assessments for works are being carried out. c) Planning around additional PPE requirements is underway for services re-opening. 3) Guidance has been issued to staff on how to use and preserve PPE. This guidance is reviewed and amended on an ongoing basis according to requirements.										

COVID-19 Strategic Risk Register - Norfolk County Council

Risk Register Name		COVID-19 Strategic Risk Register - Norfolk County Council									High				
Prepared by		Thomas Osborne									Med				
Date updated		July 2020									Low				
Next review date		August 2020									↕				
Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Original Likelihood	Original Impact	Original Risk Score	Current Likelihood	Current Impact	Current Risk Score	Tasks to mitigate the risk	Progress update	Cabinet Member Portfolio Lead	Risk Owner	Date of review and/or update
Children's Services	SR001a	Safeguarding of vulnerable children	There is a risk because the normal safeguarding measures to protect vulnerable children are not fully operational during lockdown and school closure. A substantial closedown of the wider system of support for children means that children at risk of harm are not identified and are not referred to Children's Social Care. This includes the risk of domestic abuse going undetected / unreported. Risk Treatment: Treat	24.04.20	4	5	20	4	5	20	Monitor the Contacts and Referrals into CADS weekly to identify partners who may not be referring in to discover why with follow-up - Schools remain open for the most vulnerable children -Public messages and campaign to say we are still here and promote our services -Engage and monitor partner organisations to identify trends in demand.	• Children's Services has had a departmental-wide focus on vulnerable children. This has included a strategy to re-engage those after the Easter school holidays in coming back into school or having a robust plan around each child to ensure their welfare and safety. • Faced with a significant reduction in safeguarding referrals, the Council has launched a new campaign to facilitate better identification, reporting and protection of children during coronavirus lockdown. The "See Something, Hear Something, Say Something" campaign has been launched to assist with keeping children safe, as families face pressure of staying home. The county-wide campaign encourages everyone to look out for the county's children and has focused on protection from harm within the family, online exploitation, and children's and young people's mental health.	Cllr. John Fisher	Sara Tough	06.07.20
Council-wide	SR003	Funding Difficulties due to COVID-19 Outbreak	Risk of additional funding being insufficient to manage the mid to long term impact to the Council of COVID-19. Cause: Funding from budgets to address the issues of COVID-19. Event: The Council does not receive enough central funding to fund gaps in the mid to long term, particularly to fund those areas of the Council more prone to significant financial pressure. Effect: Shortfalls in funding available. Risk Treatment: Tolerate (treating as far as possible)	31.03.2020	4	4	16	4	4	16	Assessment of where there are likely to be funding gaps in the mid to long term future for services as part of budget modelling. Budget setting process for 2021-22 to reflect impact of COVID-19 as part of development of Medium Term Financial Strategy. Engagement with Government (directly through returns to MHCLG, and collectively through representative bodies such as LGA, CCN and SCT) to identify financial pressures and communicate the requirement for additional financial support in 2020-21 and for future years.	Financial forecasting is taking place to further understand where there are likely to be areas of greater financial stress as a result of COVID-19. There is regular reporting of the financial position to Corporate Board and Cabinet.	Cllr. Andrew Jamieson	Simon George	06.07.20
Council-wide	SR004	Long term strain on the population	There is a risk that if lockdown and/or social dislocation persist, a significant proportion of the population - particularly those previously 'just coping' will suffer significant ill health, through potential decreased mobility, independence and confidence Cause: Social isolation including but not limited to the withdrawal of face-to-face services; financial stress; general uncertainty Event: Mental and/or physical illness Effect: Burden of disease increased; people less able to care for others; impact on statutory and voluntary services Risk Treatment: Treat	24.04.2020	4	4	16	4	4	16	Departments to work through the likely effects of continued social dislocation to their service users. Delivering a community support response to those in need.	Departments have undertaken an analysis of the effects of a continued period of lockdown and/or social dislocation. This has been shared with the Gold group. Departments are working through the mitigations that need to be implemented to prevent resulting significant ill health as far as possible. We are delivering on our community support response through the work of the Community Resilience and Recovery delivery group	Cllr. Andrew Proctor	Tom McCabe	06.07.20

Adults Services	SR002	Infection in care homes	There is a risk of infection in care homes without the appropriate measures being taken to prevent this. Cause: Appropriate measures not being taken to ensure the correct management of staff and service users in care homes. Event: Infection in care home Effect: Illness leading in some cases to mortality. Risk Treatment: Treat	24.04.2020	5	4	20	3	4	12	1. Lockdown on visitors 2. Infection control measures 3. Submitted Care Home Support Package 4. Established Programme Management, Care Provider Incident Room, Outbreak Management Team, system wide daily data dashboard, and Care Home testing task force. 5. PPE issues largely resolved 6. National tracker in place 7. Requirement of accepting funding is that staff no longer moving between homes.	Service delivery is being modified to adapt to the everchanging demands on services. In relation to Care Homes, a Health Protection Care Provider delivery group was established and is chaired by Dr. Louise Smith: The new joint service is between NCC and Norfolk & Waveney CCG and has been developed to both prevent new outbreaks in care homes and support those currently experiencing an outbreak. The service went live on 4 May 2020 and initially ran 7 days a week 08.00-20.00. The Care Provider Incident Room (managed by N&W CCG) is the single point of contact for care homes to access support and advice and to report outbreaks. The Outbreak Management Team (managed by NCC) includes a multi-disciplinary team with the ASSD Quality team working with PH consultants to manage outbreaks and to offer wrap around support to care homes. Enhanced arrangements in place for governance & oversight, infection control, testing, PPE & clinical equipment, workforce support and financial support.	Cllr. Bill Borrett	James Bullion	06.07.20
Resilience / Council-wide	SR016	Capacity to manage multiple disruptions to business	There is a risk that the implications of COVID-19 coupled with a further unrelated disruption to business i.e. through a major incident could lead to challenges on workforce capacity, especially within the Resilience team, if staff are required to manage these simultaneously.	15.05.2020	3	4	12	3	4	12	Ensure that internal multiagency channels are in place to manage the additional disruption to business appropriately Ensure Business Continuity Plans are up to date Routine horizon scanning	Internal / Multiagency channels have already been established for the appropriate management of COVID-19. These would already be up and running to manage any concurrent major disruption to business. Business Continuity Plans throughout the Council are established and used for any disruption. Service business continuity plans will need to be reviewed to ensure that any changes to service delivery since COVID-19 are accounted for within the plans. Norfolk Resilience Forum emergency plans are in place and County-wide civil emergency risks are listed at https://www.norfolkprepared.gov.uk/local-risks/	Cllr. Andrew Proctor	Tom McCabe	06.07.20
Adults Services	SR001b	Safeguarding of vulnerable adults	There is a risk that safeguarding measures to protect vulnerable adults such as those with learning disabilities / autism / physical disabilities are not fully operational during lockdown. A substantial closedown of the wider system of support for adults means that adults at risk of harm are not identified and are not referred to Adult Social Care, with greater barriers to receiving the support they need. This includes the risk of domestic abuse going undetected / unreported. Risk Treatment: Treat	24.04.20	4	5	20	3	4	12	a) Safeguarding duties will not be relaxed and new COVID-19 procedures reflect the need to ensure safeguarding is considered in the normal way. b) Information is to be circulated to ASSD staff about being very vigilant at this time (particularly when asking questions over the phone) and reminding them that the safeguarding processes remain in place. c) Guidance on high risk visits to be developed. d) Information is to be circulated to wider safeguarding network by NSAB manager. Easy read information available on NSAB website about the risk of being exploited. e) Information is to be circulated to volunteer agencies advising on DBS checking or smart use of DBS checked volunteers/using curious questioning over the telephone to try to establish if there are concerns. f) Resources to be developed for relatives to help them understand why visits are not permitted/Police to intervene if there is aggressive or abusive behaviour/providers to be encouraged to offer video calls with relatives. g) Advice to be made available on NSAB website for people self-isolating. h) NSAB manager to link in with volunteer networks to make them aware of what to look for, give advice about DBS/safety and ask them to report safeguarding concerns.	A marked increase in safeguarding referrals has occurred across the service which was expected due to lower than average rates during the lockdown period. Concerns still exist around DV based on national feedback and the reality that care homes have reduced visiting by professionals, families/friends and volunteers. We still have limited professionals and families/friends visiting care homes and other accommodation. We rely on professionals, families and others to report safeguarding concerns as such it could be, we are unsighted on potential safeguarding concerns. Government, advice remains the same for care homes in-regards to visits albeit a very slow relaxation is occurring. Until a significant number of professionals and family/friends can more easily enter care homes and while we still have 41,000 people shielded which also adds to the risks of safeguarding (as there is no ability for this cohort to enter into the community or receive professionals/visitors) the risk needs to remain at amber.	Cllr. Bill Borrett	James Bullion	06.07.20
Council-wide, CS Transformation Programme, CES GY3RC, FCE Programme	SR005	Major Projects and Programmes	There is a risk of delay to completing major projects and or associated cost increases. Cause: Lack of available resources (financial or material) required to develop and complete the project to original timescales. Event: Major projects are delayed. Effect: Programmes and projects potentially needing to be re-assessed for their viability or partially scaled back; Infrastructure requirements going unfulfilled. Risk Treatment: Treat	24.03.2020	3	4	12	3	4	12	Continued communication with third party suppliers to major programmes / projects. Assessment of continued funding requirements for major programmes / projects. Assessment of supply chains for the resources involved to minimise risk of supply chain failure. Reprioritisation of projects.	There is continued communication with third party suppliers to major programmes and projects. Implications to major programmes / projects are being worked through, including analysis of funding and supply of resources as a priority.	Cllr. Graham Plant	Tom McCabe	06.07.20

Children's Services	SR008	Social disparity of attainment amongst school children	There is a risk of children falling behind with their schooling and social development. Cause: Children not receiving their normal schooling and associated offer (e.g. activity clubs). Event: Children developing educationally and socially at a slower rate than they would under a normal schooling offer. Effect: This could have a disproportionate effect on school children from a poorer socio-economic background or SEND who may have fewer opportunities, leading to further problems developing later in life as a result, including dropping out of the system and becoming NEET, economic deprivation, social disadvantage, and health issues. Risk Treatment: Treat	15.04.2020	4	4	16	3	4	12	To ensure that schools are supported in their provision of learning from both Children's Services and IMT.	We are working with the whole system, from early years to post 16 (that includes Further Education colleges and work-based learning providers) to mitigate this risk as much as possible. Schools are making provision for learning in many ways including, but not restricted to providing hard copy learning resources for children, using on-line learning resources, reading to and with children daily, talking with children directly and helping to organise their learning at home. A 16-19 Bursary Fund is available up to the value of £1200 for students in vulnerable groups to support them.	Cllr. John Fisher	Sara Tough	06.07.20
Council-wide	SR009	Provision of substitute services	There is a risk of not providing substitute services for services that are not currently available because of lockdown Cause: Face-face services not being provided and substitutes not put in place Event: Gaps in provision Effect: Further resources needing to be dedicated post-lockdown to deal with problems arising from not providing an alternative service. Risk Treatment: Treat	15.04.2020	3	3	9	3	3	9	Analysis and prioritisation planning around non-critical service re-introduction. Theme G work around prioritisation of face to face services	Where non-critical services have temporarily stopped being delivered, or are being delivered in a different way, departments are continuing to assess how they can be re-introduced and prioritised accordingly. Theme G work has identified the criticality of services being restarted, prioritising as critical, key, and standard.	Cllr. Andrew Proctor	Tom McCabe	06.07.20
Primarily Adults and Children's Services Commissioning & Resources	SR011	Supplier or Market Failure	The disruption to provision and demand disrupts the market meaning some providers go out of business. Market could be undermined for when we return to normal state (will vary across the market depending on the sector). A number of smaller but vital providers could be threatened by the financial impact of the lockdown over a sustained period. Risk Treatment: Tolerate (treating as far as possible)	27.03.20	3	3	9	3	3	9	Ensure invoices are paid promptly and on time. Work with providers to ensure early communication of cashflow concerns. Processes for making non-standard and additional payments being developed. Dissemination of external funding and support opportunities. For Spot purchase arrangements have time limited mitigation around payment and start planning longer term action. Work across the portfolio to ensure inhouse and provider collaboration is maximised to optimise sufficiency of placements	Processes remain in place to ensure prompt payment of invoices. Ongoing collaboration with providers to ensure sufficiency of placements for Adults and Children's Services. Regular communication with Market via NORCA and weekly multi agency provider meetings. Care Home plan developed in line with National guidance and further govt funding of circa £12.3m (Norfolk) to support infection control . This is addition to the Councils approach to financial support to the market	Cllr. Bill Borrett	James Bullion	06.07.20
Council-wide	SR007	Non-compliance with statutory requirements	There is a risk of not complying with statutory requirements, including the recently passed Coronavirus Act 2020. Cause: Not fully understanding any complex statutory requirements or their implications. Event: Non-compliance with legislation set. Effect: Further changes required to ways of working to avoid being non-compliant and the consequences of this. Risk Treatment: Treat	24.03.2020	3	4	12	2	4	8	Directorates being aware of the Coronavirus Act 2020 and working to ensure compliance with it.	Departments are continuing to understand the implications of the Coronavirus Act 2020, to ensure compliance.	Cllr. Andrew Proctor	Fiona McDiarmid	06.07.20
Council-wide	SR012	Not introducing services that are adapted to a physically-distanced environment	There is a risk of failure to adequately adapt services to continue to meet the needs of service users, particularly for those requiring the most support post lockdown. Cause: Not re-introducing services quickly enough or with enough staff to deliver new requirements effectively. A lack of full understanding as to what new short/mid-term support services are required. Event: Services no longer fully meeting the needs of service users. Effect: Isolation of service users, with them struggling to access the services that they require. Risk Treatment: Treat	15.04.2020	2	4	8	2	4	8	Prioritising the reintroduction of face to face services Carrying out risk assessments to determine how safe plans are to reopen services	Analysis has been carried out to assess how services could continue to operate in a post-lockdown physical distancing environment and the implications of this. Government guidelines on physical distancing will continue to be built into planning for service provision post-lockdown. Theme G work has identified the criticality of face to face service reintroduction, with risk assessments being carried out.	Cllr. Andrew Proctor	Tom McCabe	06.07.20

Council-wide	SR013	Failing to take community needs into full consideration	There is a risk of failing to take community needs into full consideration i.e. re-opening face-to-face services earlier in areas of greater social deprivation. Cause: Not recognising the full extent to which services in areas of greater deprivation need to be scaled up sooner than other areas. Event: Services not re-opened quickly enough or not staggered to accommodate needs of those more dependent first. Effect: Greater social inequality, with greater future reliance on Norfolk County Council through knock-on effects. Potential increase in mental health referrals due to loneliness / isolation. Risk Treatment: Treat	15.04.2020	2	4	8	2	4	8	Departments to continue working through the mitigations identified in the Theme D paper to ensure that their services continue to adapt service provision to incorporate government guidelines on physical distancing.	Departments continue to review the services that they operate and analyse which of those previously scaled-down or paused that they need to re-establish first and in which areas. The Community Resilience and Recovery delivery group is managing community based operations including assisting vulnerable people, food and medicine, volunteers and donations, local capacity, and customer contact.	Cllr. Andrew Proctor	Tom McCabe	06.07.20
Council-wide	SR014	Second wave of COVID-19	There is a risk of a second wave of COVID-19 when communities begin to re-integrate, potentially further restricting staff in the provision of effective service delivery and a renewed effort required to protect those most vulnerable from a second wave of COVID-19. Cause: Communities reintegrating whilst symptoms of COVID-19 are still prevalent. Event: Increased positive cases of COVID-19 Effect: A further increased effort being required to protect the most vulnerable as per during the first lockdown. Risk Treatment: Tolerate (treating as far as possible)	15.04.2020	2	4	8	2	4	8	Should we see a second wave of COVID-19 cases increasing as a result of social interaction post lockdown, government guidance on working arrangements will be followed as per the first wave.	The Council continues to work to the guidance set by central government to play its' part in preventing a second wave of COVID-19. Looking ahead to recovery, planning is underway to consider how and when sites might be re-opened for staff on a prioritisation basis - where and when it is safe to do so. This will consider any revised government advice, including expectations about the continuation of home working and advice on physical distancing measures.	Cllr. Andrew Proctor	Tom McCabe	06.07.20
Council-wide	SR006	Management of logistics	There is a risk that as COVID-19 develops, there could be increased short term business disruption owing to the complexity of the logistics of people, and products. Cause: Disruption to former logistic hubs / establishment of new hubs, mass movement of staff to other places of work Event: The termination of lockdown and a movement to a new normalisation triggering new logistics chains (people and products) Effect: Further initial disruption as people move from working at home back to office / around the County again. Risk Treatment: Treat	24.03.2020	4	3	12	2	3	6	Identification of strategic risks involving logistics of people and products identified by directorates for a post lockdown normalisation. There is greater stability within supply chains and this looks to be increasing as 'lock down' restrictions are relaxed. Looking ahead to site management in a post lockdown normalised environment.	Planning for post-lockdown normalisation is being worked through by departments, including site management. Looking ahead to recovery, planning is underway to consider how and when sites might be re-opened for staff on a prioritisation basis - where and when it is safe to do so. This will consider any revised government advice, including expectations about the continuation of home working and advice on physical distancing measures.	Cllr. Greg Peck	Simon George	06.07.20
Council-wide	SR015	Long term staff sickness	There is a risk of increased cases of long term sickness through physical or mental health issues including delayed stress. Cause: The challenges of working for a sustained period in a different way, for longer hours, with challenging situations. Event: Staff go off on long-term sick Effect: Impacts on teams of losing colleagues for a sustained period of time. Risk Treatment: Treat	15.04.2020	1	4	4	1	4	4	All managers are to make regular contact with employees, to include enquiring about work and personal issues impacting on psychological wellbeing. NCC continues to provide mental health support services including Norfolk Support Line, Mental Health First Aid Champions, Well-being facilitators, Well-being officers, and the online e-Learning on personal resilience to all staff to minimise the risk of staff going off sick long term.	Support continues to be available to all staff, and will continue to be made available to those who need to access it in a post-lockdown environment. HR Manager outreach service has made calls, and is making follow up calls, to all managers to ensure all are supported in managing their teams through Covid pandemic, including managing the well-being of their staff. Process to support the limited return for affected individuals on well-being grounds, in development. Similarly process to support teams who need to come together to de-stress following traumatic or challenging front line work also in progress.	Cllr. Andrew Proctor	Fiona McDiarmid	06.07.20

Scrutiny Options for Managing Corporate Risks

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 Council's corporate risks there are a number of risk management improvement questions that can be worked through to aid the discussion, as below:

1. What progress with risk mitigation is predicted?
2. How can progress with risk mitigation be improved?
3. When will progress be back on track?
4. 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 – potential 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.

Potential follow-up actions

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

Background Information

A Corporate Risk is one that:

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

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

Treat

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

Tolerate

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

Transfer

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

Terminate

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

Audit Committee

Item No 13

Report title:	Norfolk Audit Services' Terms of Reference (Charter) and Code of Ethics 2020/21
Date of meeting:	30 July 2020
Responsible Chief Officer:	Executive Director, 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, including internal audit, as set out in its Terms of Reference, which is part of the Council's Constitution at Appendix 2 (page 56) (please click underlined text for links to the webpage).</p>	

Executive summary

The purpose of this report is to present the revised Terms of Reference for NAS (Charter) and the Code of Ethics following review, in accordance with model of the Chartered Institute of Internal Auditors (CIIA).

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 NAS Terms of Reference. Part I of the Terms of Reference refers to Norfolk County Council (NCC).

The development of an FCE Audit function within the NAS 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.

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

The Code of Ethics is a statement of principles and expectations governing behaviour of individuals and organisations in the conduct of internal auditing. The main principles are integrity, objectivity, competence, confidentiality. The purpose of the Code is to promote an ethical culture.

The current Code of Ethics for NAS appears at **Appendix B** and is applicable to all staff employed by the NAS Internal Audit Team, whether they are deployed on internal audit activities or EU audit activities. This continues to be based on best

practice, the Nolan Principles of Public Life and the CIPFA publication “Code of Ethics for Professional Accountants” (2011) which is compatible with the CIIA’s Code of Ethics.

Action required:

The Audit Committee should consider and agree:

- the NAS Terms of Reference (Charter) 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 recommendation is set out in the Executive Summary above.

2. Financial Implications

- 2.1 The expenditure falls within the parameters of the Annual Budget agreed by the Council.
- 2.2 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.

3. Issues, risks, staffing and innovation

Issues

- 3.1 There are no issues to report.

Risk implications

- 3.2 These documents underpin the expected behaviours of NAS. Failure to display the expected behaviours could result in disciplinary action which could impact on the reputation of the NAS Team and the objectivity and independence its work.
- 3.3 Failure to adhere to the CIIA's International Professional Practices Framework may result in non-conformance with the Standards.
- 3.4 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.

Staffing

- 3.5 The Code of Ethics is applicable to all staff employed in the NAS Internal Audit Team, whether they are deployed on internal audit activities or EU audit activities. For members of professional bodies, breaches of the Body's Code of Ethics would be evaluated and administered according to the Body's disciplinary procedures.

Innovation

- 3.6 There are no innovations to report.

4. Background papers

4.1 There are no background papers relevant to this report.

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 – Assistant Director Finance (Audit) (the ‘Chief Internal Auditor’)

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

Terms of Reference (Charter) for Norfolk Audit Services

1. PURPOSE AND MISSION

- 1.1 The purpose of Norfolk County Council's internal audit department, Norfolk Audit Services (NAS) is to provide independent, objective assurance and consulting activity designed to add value and improve the County Council's ('the Council') operations.
- 1.2 The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. NAS helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2. STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

- 2.1 The NAS will govern itself by adherence to the mandatory elements of the Chartered Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Chief Internal Auditor will report periodically to relevant senior management and the Audit Committee regarding NAS's conformance to the Code of Ethics and the Standards.

3. AUTHORITY

- 3.1 NAS forms part of the Finance and Commercial Services Directorate. The Chief Internal Auditor reports functionally to the Audit Committee and administratively (i.e. day to day operations) to the Section 151 Officer (Executive Director of Finance and Commercial Services).
- 3.2 To establish, maintain, and assure that NAS has sufficient authority to fulfil its duties, the Audit Committee will: -
 - Approve NAS's terms of reference.
 - Approve the risk-based internal audit plan.
 - Ensure NAS's budget and resource plan is sufficient.
 - Receive communications from the Chief Internal Auditor on NAS's performance relative to its plan and other matters.
 - Approve decisions regarding the appointment and removal of the Chief Internal Auditor
 - Make appropriate inquiries of management and the Chief Internal Auditor to determine whether there is inappropriate scope or resource limitations.
- 3.3 The Chief Internal Auditor will have unrestricted access to, and communicate and interact directly with, the Audit Committee including in

private meetings without management present. This is completed quarterly at the pre-agenda meeting.

3.4 The Audit Committee authorises NAS to: -

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the Council as well as other specialised services from within or outside the Council in order to complete the engagement.

4. INDEPENDENCE AND OBJECTIVITY

4.1 The Chief Internal Auditor will ensure that NAS remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If it is determined that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

4.2. Independence and objectivity will be preserved by ensuring that all members of staff in NAS maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

4.3 Staff members in NAS will have no direct operational responsibility or authority over any of the activities audited. Accordingly, staff members in NAS will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous two years.
- Performing any operational duties for the Council or its affiliates.
- Initiating or approving transactions external to NAS.
- Directing the activities of any Council employee not employed by NAS except to the extent that such employees have been appropriately assigned to NAS or to otherwise assist NAS.

4.4 Staff members in NAS are responsible for: -

- Disclosing any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibiting professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.

- Making balanced assessments of all available and relevant facts and circumstances.
 - Taking necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.
- 4.5 The Chief Internal Auditor will confirm to the Audit Committee at least annually, the organisational independence of NAS in its Annual Report.
- 4.6 The Chief Internal Auditor will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.
- 4.7 The Chief Internal Auditor has roles and responsibilities that fall outside internal auditing (Corporate Risk Management, the Council's Whistleblowing Policy, Deputy Money Laundering Officer and is the Head of the FCE Audit Authority); therefore, safeguards have been established to limit impairments to independence and objectivity as follows: -.
- The Council has a qualified Risk Management Officer.
 - The function undertakes nationally recognised benchmarking and reports this to the Committee.
 - The Executive Director of Finance and Commercial Services has overall responsibility and reports to the Committee quarterly and annually.
 - The External Auditors review the AGS which includes the effectiveness of risk management.
 - External reviews of the Risk Management Framework are undertaken.

5. RESPONSIBILITY

- 5.1 The Chief Internal Auditor has responsibility to: -
- Submit annually to senior management, and the Audit Committee a risk-based Internal Audit Plan for review and approval, along with a second half of the year refresh of the Plan.
 - Communicate to relevant senior management and the Audit Committee the impact of resource limitations on the Internal Audit Plan.
 - Review and adjust the Internal Audit Plan, as necessary, in response to changes in the Council's business, risks, operations, programmes, systems and controls.
 - Communicate to relevant senior management and the Audit Committee any significant interim changes to the Internal Audit Plan.
 - Ensure each audit of the Internal Audit Plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.

- Follow up on audit findings and corrective actions, in accordance with NAS's procedures, and report periodically to relevant senior management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the NAS Team collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of this Terms of Reference (Charter).
- Ensure trends and emerging issues that could impact the Council are considered and communicated to relevant senior management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide NAS.
- Ensure adherence to the Council's relevant policies and procedures, unless such policies and procedures conflict with these terms of reference. Any such conflicts will be resolved or otherwise communicated to relevant senior management and the Audit Committee.
- Ensure conformance of NAS with the Standards, with the following qualifications: -
 - (i) If NAS is prohibited by law or regulation from conformance with certain parts of the Standards, the Chief Internal Auditor will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - (ii) If the Standards are used in conjunction with requirements issued by other authoritative bodies, the Chief Internal Auditor will ensure that NAS conforms with the Standards, even if NAS also conforms with the more restrictive requirements of other authoritative bodies.

6. SCOPE OF INTERNAL AUDIT ACTIVITIES

6.1 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.

- 6.2 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 NAS'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.
- 6.3 The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Council. Internal audit assessments include evaluating whether: -
- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed.
 - The actions of the Council's officers, directors, employees, and contractors are in compliance with the Council's policies, procedures, and applicable laws, regulations, and governance standards.
 - The results of operations or programs are consistent with established goals and objectives.
 - Operations or programs are being carried out effectively and efficiently.
 - Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council.
 - Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
 - Resources and assets are acquired economically, used efficiently, and protected adequately.
- 6.4 NAS also performs grant certification work for the Council and traded full audits for Local Authority maintained schools.
- 6.5 The Chief Internal Auditor will report periodically to relevant senior management and the Audit Committee regarding: -
- NAS's purpose, authority, and responsibility.
 - Performance against the Council's Internal Audit Plan.
 - The NAS's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
 - Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
 - Results of audit engagements or other activities.

- Resource requirements.
- Any response to risk by management that may be unacceptable to the Council.

6.6 The Chief Internal Auditor also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed.

7. CONSULTANCY OR ADVISORY REVIEWS

- 7.1 NAS may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided NAS does not assume management responsibility.
- 7.2 Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.
- 7.3 Where a significant consultancy or advisory service is required, either within or external to the Council, approval will be sought from the Audit Committee.

8. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

- 8.1 NAS will maintain a quality assurance and improvement programme that covers all aspects of NAS's internal audit activity. The programme will include an evaluation of NAS's conformance with the Standards and an evaluation of whether auditors apply the IIA's Code of Ethics. The programme will also assess the efficiency and effectiveness of NAS's internal audit activity and identify opportunities for improvement.
- 8.2 The Chief Internal Auditor will communicate to relevant senior management and the Audit Committee on NAS's quality assurance and improvement programme, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Council.

9. FRAUD AND CORRUPTION

- 9.1 The Anti-Fraud and Corruption Strategy 2017-2019 was endorsed by the Audit Committee at the September 2017 meeting. The Strategy sets out the responsibilities of the various parties and falls in line with 'Fighting Fraud and Corruption Locally', the local government fraud and corruption strategy 2016-2019. 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.

9.2 The Chief Internal Auditor advises Chief Officers on fraud and corruption issues.

9.3 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.

10. RELATED DOCUMENTS

10.1 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

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

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

- 2.1. The Authority derives its authority from formal designation by the then Department for Communities and Local Government (DCLG) now MHCLG. 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

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.

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 Business, Energy & Industrial Strategy (BEIS) 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. In practice, BEIS is relying on the Ministry of Housing, Communities and Local Government (MHCLG) to exercise this role, in its capacity as UK National Authority for the programme. MHCLG has a representative at the Consultative Audit Group.
- 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 Ministry of 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 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.

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

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

- 3.2. 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 national designating body in the UK (BEIS) 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 and Urban Policy (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

Ian Mackie
Chairman of the Audit Committee

.....

Simon George

**Executive Director of Finance
and Commercial Services and
Section 151 Officer**

.....

**Adrian Thompson
Assistant Director of Finance (Audit) (Chief Internal Auditor)
and Head of the Audit Authority**

.....

Date.....

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

Introduction

A Code of Ethics is a statement of principles and expectations governing behaviour of individuals and organisations in the conduct of internal auditing. Its purpose is to promote an ethical culture.

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 principles in the CIIA’s Code of Ethics.

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:

- 9.1 Will report on completed audit topics for each individual NCC audit at the quarterly Audit Committee meeting.
- 9.2 Will provide more information about audits with corporate significant concerns to the County Leadership Team and Members.
- 9.3 Will report progress on corporately significant high priority findings to the Audit Committee.

10. 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:

- 10.1. Will exhibit the above behaviours in their own behaviour.
- 10.2. Will actively promote and support the principles
- 10.3. Will challenge and report poor behaviour when identified.

Audit Committee

Item No 14

Report title:	Counter Fraud, Bribery and Corruption Annual Report (including whistleblowing)
Date of meeting:	30 July 2020
Responsible Cabinet Member	Not applicable
Responsible Director:	Fiona McDiarmid, Executive Director of Strategy and Governance
Is this a key decision?	No

Executive Summary

The Norfolk Audit Service (NAS) Anti-Fraud, Bribery and Corruption Strategy was approved by the Audit Committee on 21 September 2017.

Appendix A of this report provides an annual report in respect of the counter fraud activity undertaken by NAS during the current financial year.

Appendix B provides a copy of the recently updated Fighting Fraud and Corruption Locally national strategy.

Key messages are that:

- Overall there has been satisfactory progress for the 2019-20 year to support the strategy. A summary containing examples of the actions taken to support the strategy can be found in the report at **Appendix A**.
- In March 2020 the national strategy; Fighting Fraud and Corruption Locally (FFCL) was updated. The national strategy provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities. Norfolk Audit Service (NAS) has been involved in shaping the national strategy, particularly;
 - The governance arrangements contained in the current NCC Anti-Fraud, Bribery and Corruption Strategy have been added as an additional pillar to the national strategy.
 - The NCC Anti-Fraud, Bribery and Corruption policy and strategy have been published on the national Fighting Fraud and Corruption Locally best practice bank.
- A new Anti-Money Laundering Policy was agreed in June 2019 setting out the Council's position on the international issue of money laundering and terrorist financing.
- Cases requiring fraud investigation during the 2019-20 financial year have achieved satisfactory outcomes. Some cases remain ongoing/open and therefore no outcome has been recorded at the time of reporting. The scope of the identified losses to fraud/error is calculated at £160,469. It is anticipated that the losses identified during the financial year will be recovered.

- The Council's Whistleblowing Policy continues to be developed and managed with a view to promoting new referrals and protection for those who report concerns. New initiatives included;
 - A new dedicated email address for the reporting of concerns
 - Production of posters and leaflets promoting policy and email address.

Action Required:

To;

- **Consider and agree that the content of the Anti-Fraud, Bribery and Corruption and Whistleblowing annual report (Appendix A), the key messages, that the progress is satisfactory, and arrangements are effective.**

1. **Background and Purpose**

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

2. **Proposals**

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

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

Appendix B provides a copy of the recently updated Fighting Fraud and Corruption Locally national strategy.

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

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

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

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

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

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

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

3. **Impact of the Proposal**

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

4. **Evidence and Reasons for Decision**

Not applicable

5. **Alternative Options**

Not applicable

6. **Financial Implications**

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

7. **Any other implications**

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

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

10. **Select Committee Comments:** None

11. **Recommendation**

- 11.1 See Action Required at Executive summary

Background Papers: None

Officer Contact

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Anti-Fraud, Bribery and Corruption**APPENDIX A****NAS Anti-Fraud, Bribery
and Corruption Annual
Report 2019-20****Date****July 2020**

1. Executive Summary

Nationally, local authorities (LA's) continue to face a significant fraud challenge. The Annual Fraud Indicator produced by Crowe Clark Whitehill estimated that national LA losses to fraud may have been as high as £7.8bn in 2017, out of a total of £40.4bn for the public sector as a whole.

In 2018, the Government's Economic Crime Plan stated that the numbers of fraud offences nationally rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

Although figures produced nationally vary in size and scope, it is widely accepted that no organisation is immune from the risk of fraud and corruption. The threat must be acknowledged, and action taken to;

- Foster anti-fraud culture
- Prevent fraudulent activity from occurring.
- Detect instances of fraudulent activity.
- Pursue those who seek to defraud
- Recover losses

In March 2020 the national strategy; Fighting Fraud and Corruption Locally (FFCL) was updated. The national strategy provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities.

Norfolk Audit Service (NAS) has been involved in shaping the national strategy, particularly;

- The 'governance' arrangements contained in the current NCC Anti-Fraud, Bribery and Corruption Strategy have been added as an additional pillar to the national strategy.
- The NCC Anti-Fraud, Bribery and Corruption policy and strategy have been published on the national Fighting Fraud and Corruption Locally best practice bank.

The NCC Anti-Fraud, Bribery and Corruption policy and strategy are currently under review and will be updated in the 2020/21 financial year to reflect best practice, other changes to the national strategy and locally identified fraud risks.

A copy of the updated national strategy; Fighting Fraud and Corruption Locally 2020 has been provided for the information of the Audit Committee at **Appendix B**.

2. Introduction

The NCC Anti-Fraud, Bribery and Corruption Strategy and Activity Plan was agreed by the former Chief Legal Officer and approved by the Audit Committee in September 2017.

NCC's anti-crime goals are set out below. There are three sections that follow the FFCL 2016 Strategy, as well as an additional section regarding governance:

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

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

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

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

Overall there has been satisfactory progress for the 2019-20 year to support the strategy. A summary containing examples of the actions taken to support the strategy can be found below;

Govern

- Updates and progress reports in respect of Anti-Fraud matters have been provided to the then Chief Legal Officer (now Director of Governance), Chief Internal Auditor, Executive Director of Finance and Commercial Services and the Audit Committee throughout the reporting period. The updates and reports included:
 - ✓ The agreement and planning of activities
 - ✓ Progress against agreed activities
 - ✓ Investigation updates and outcomes
 - ✓ Emerging fraud risks
 - ✓ External reports regarding wider/national anti-fraud activity
- A new Anti-Money Laundering Policy was agreed in June 2019 setting out the Council's position on the international issue of money laundering and terrorist financing.
- The Council's Whistleblowing Policy continues to be developed and managed with a view to promoting new referrals and protection for those who report concerns. New initiatives included;
 - ✓ A new dedicated email address for the reporting of concerns
 - ✓ Production of posters and leaflets promoting policy and email address.
- The investigative auditor joined the South East Fraud Hub group. The group meets quarterly to discuss emerging risks, best practice and investigation

techniques to enhance counter fraud activity and promote and collaborative response.

- Elected members, Directors, Heads of Service and all those charged with governance demonstrate top level strategic support for all anti-fraud, bribery and corruption related activity at NCC.

Acknowledge

- NCC has developed the following key policies that acknowledge the risk of fraud and are promoted throughout the organisation;
 - ✓ The Anti-Fraud, Bribery and Corruption Policy
 - ✓ Code of Conduct and Behaviour Policy
 - ✓ Whistleblowing Policy
 - ✓ Anti-Money Laundering Policy
- The Anti-Fraud, Bribery and Corruption Policy specifies the reporting lines for fraud concerns and references the related policies.
- The policy has been published in the Internet and articles have been circulated in the NCC publication; Norfolk Manager, promoting the policies.
- eLearning programs have been developed to promote the policies and procedures and enhance reporting and staff knowledge. The Audit Committee has robustly promoted that the training is mandated for all staff.
- The NCC Anti-Fraud, Bribery and Corruption policy and strategy are currently under review and will be updated in the 2020/21 financial year to reflect best practice, changes to the national strategy and locally identified fraud risks.

Prevent

- By keeping up to date with relevant publications and being members of bodies such as CIPFA, IIA and LGA, those responsible for the counter fraud arrangements at NCC are periodically updated with new and emerging fraud, bribery and corruption risks. This assists with understanding risks and enhancing fraud prevention techniques.
- NCC has a system of risk-based auditing where the risk of fraud, bribery and corruption is considered as part of the audit process where relevant. Recommended actions are employed as part of the audit process to including fraud prevention measures.
- Testing is undertaken by IMT on a regular basis to test NCC systems for external vulnerabilities and; internal risks included phishing email tests to evaluate staff awareness of fraudulent cyber related crime.

- There is a system of monitoring, follow up and review in place relating to new and emerging fraud, bribery and corruption risks. Where fraud has been identified, the investigative auditor works with departments to identify root cause and prevent re-occurrence. Where emerging risks are identified, warnings are issued to relevant departments so that prevention measures can be implemented.

Pursue

- One case from the 2018-19 financial year resulted in a prosecution in August 2019. The prosecution resulted in an 18-month community order and compensation to NCC of £2340.84, full recovery of the Council's losses.
- Cases requiring investigation during the 2019-20 financial year have achieved satisfactory outcomes. Some cases remain ongoing/open and therefore no outcome has been recorded at the time of reporting. The scope of the identified losses to fraud/error is calculated at £160,469 of which;
 - ✓ £79,270 was identified through the National Fraud Initiative and can be attributed to erroneous supplier invoicing.
 - ✓ £81,199 was identified through investigation and can be attributed to fraud by false representation.
- It is anticipated that the above losses identified during the financial year will be recovered. Recovery options are in progress.
- There have been a moderate number of referrals during the financial year and these have been noted in the below table. The **"Fraud Detected"** column below represents cases that resulted in either a sanction/redress or other corrective action to recover losses:

Cases ongoing from 2018/2019	Total fraud referrals received 2019/2020	Cases closed – Fraud/error Detected	Cases resulting in no Further action or referral to other departments.	Total cases ongoing
1	9	4	3	3

From the referrals received:

- 5 cases related to Adult Social Care (cases passed to financial safeguarding officer where required)
- 1 case related to concessionary travel.
- 1 case related to data matching via the national fraud initiative
- 3 cases related to internal matters

The Council continues to pursue all allegations of fraudulent activity and seek sanctions and redress through civil, criminal and/or disciplinary channels as necessary.

Whistleblowing

The Director of Governance and Assistant Director of Finance (Audit) champion the Whistleblowing Policy. It is their role to ensure the implementation, integrity, independence and effectiveness of the policy and procedures on whistleblowing. It is important to create a culture of confidence for employees to report those concerns, track the outcome of whistleblowing reports, provide feedback to whistle-blowers and take reasonable steps to protect whistle-blower's from victimisation. Not all reported concerns will fall within whistleblowing law, but they are all taken seriously.

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

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

- A benchmarking exercise has been completed to assess NCC's whistleblowing arrangements against a range of recommendations provided by Protect, a national whistleblowing charity. The outcome of the exercise was that NCC has robust governance arrangements in place however, pro-active work is required in staff engagement to ensure key messages, employee confidence and reporting arrangements can be evidenced, as described below.
- A 'Whistleblowing Awareness' week was completed in the second quarter of the financial year to implement recommendations arising from the benchmarking exercise. The awareness week featured internal communications across NCC to promote the arrangements in place.

A total of 14 whistleblowing disclosures were received during the 2019-20 financial year. All referrals have been or are being progressed to a satisfactory outcome. Whistleblowing themes include areas such as; Norfolk schools, adult social care, bullying and harassment, fraudulent activity, and children's services.

Previous lessons learned include; contract management processes, fraud prevention awareness and health and safety procedures. Where deemed necessary, internal audits have been planned because of whistleblowing referrals received.

The types of referrals received vary greatly however, the top recurring themes continue to be as follows;

- (a) Care Providers and duty of care
- (b) Bullying and Harassment
- (c) Fraud & Corruption and use of public funds

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

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

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

Contact

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

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APPENDIX 1 – Full Assessment.

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

1. Elected members, Directors, Heads of Service and all those charged with governance demonstrate top level strategic support for all anti-fraud, bribery and corruption related activity at NCC.

Rating: GREEN

Updates and progress reports in respect of Anti-Fraud matters have been provided to the Practice Director, Executive Director of Finance and Commercial Services and the Audit Committee throughout the reporting period. The updates and reports included:

- The agreement and planning of activities
- Progress against agreed activities
- Investigation updates and outcomes
- Emerging fraud risks
- External reports regarding wider/national anti-fraud activity

Documented strategic support from those tasked with overseeing NCC's Anti-Fraud arrangements can be evidenced via minutes of relevant meetings, executive emails in support of specific tasks, attending meetings, agreed actions from audit reports and the sponsoring of investigations. In doing so, a demonstrable support for NCC's Anti-Fraud arrangements can be evidenced and therefore this item is rated as green.

2. Risk Assessments are carried out periodically to identify and understand fraud, bribery and corruption risks. The anti-crime activities undertaken are proportionate to the level of risk identified and the activities are risk based.

Rating: AMBER

The purpose of this assessment is to provide assurance that work to progress the strategic fraud prevention arrangements in place at the Council is carried out and can be demonstrated. In doing so, areas of risk are highlighted that require further activity to mitigate.

An assessment against the Public Sector Internal Audit Standards Advisory Board (IASAB) briefing paper: The Internal Role in Counter Fraud and the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption is planned in addition to provide further assurance on this topic.

The results of the assessment will be provided to the Audit Committee.

Action: To complete a wider risk assessment in the areas of anti-fraud measures across the Council

To be completed by: Investigative auditor.
By: October 2020

3. NCC reports annually on the anti-Fraud, bribery and corruption activities undertaken and where further action is required to improve performance, this is detailed therein.

Rating: GREEN

The aim of the of the NCC Anti-Fraud, Bribery and Corruption Strategy is to ensure that a robust counter fraud, bribery and corruption provision is embedded throughout NCC.

To assist with achieving that aim, an annual assessment of performance against the item as set out in the Strategy is undertaken.

For each item, a rating is provided using the RAG system along with any narrative to support the rating. Where appropriate, actions necessary to enhance the provisions are recommended.

This item is therefore rated as green

4. Accredited staff are utilised effectively to undertake a range of anti-fraud, bribery and corruption work including reactive investigation work to hold those who commit fraud, bribery or corruption to account, as well as proactive activities to deter potential fraudsters from criminal activity.

Rating: GREEN

The Chief Internal Auditor holds the CIPFA Certificate in Investigative Practices. The Investigative Auditor is an Accredited Counter Fraud Specialist (University of Portsmouth).

The accredited staff have undertaken a range of anti-fraud activities during the reporting period as agreed and directed within the activity plan as follows.

- Adhoc Criminal and Disciplinary investigations.
- Attending hearings
- Reviews and updates of policies and procedures
- Management and member reporting
- Attending conferences and meetings
- Liaison activities with key personnel
- Completing external surveys and applications for national pilot projects
- Contributing to the wider Norfolk counter fraud arena
- Contributing to the audit plan in respect of counter fraud activity
- Publishing articles via the NCC intranet
- Designing and implementing a fraud eLearning program
- Taking part in the National Fraud Initiative (NFI)

- Making anti-fraud presentations to key departments
- Research and development of Computer Aided Audit tools (Data Analytics)
- Production of the 2018 NCC Counter Fraud Survey.

The above activities can be evidenced during the period and contribute to the item as set out in the strategy and therefore this item is rated as green.

5. Counter fraud staff keep up to date with relevant legislation, as well as guidance issued by relevant bodies such as the Ministry for Housing, Communities and Local Government (MHCLG), the Local Government Association, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Police.

RATING: GREEN

Counter fraud staff can demonstrate attendance at conferences and meetings held in connection with the LGA, MHCLG and CIPFA where updates and advice/guidance is provided in respect of anti-fraud legislation and best practice. Furthermore, counter fraud staff are members of relevant forums and groups. Where appropriate, information and emerging fraud risks received through this activity is discriminated to relevant personnel

The investigative auditor (IA) is member of the Association of Certified Fraud Examiners (ACFE) where regular updates are provided in respect of new and current anti-fraud legislation and investigation techniques.

The above activities can be evidenced during the period and contribute to the item as set out in the strategy and therefore this item is rated as green.

6. Robust communication arrangements are in place between staff who undertake counter fraud, bribery and corruption related activities and other key departments and traded services within NCC.

Rating: GREEN.

The NCC anti-fraud, bribery and corruption policy sets out the requirements for the reporting of fraud and bribery concerns. The policy has been reviewed during the reporting period and remains current. The Policy is published on the NCC website and made available to all stakeholders.

The NCC Whistleblowing Policy has been reviewed and updated to ensure managers have a duty under the policy to report whistleblowing matters to the Chief Internal Auditor as they arise. An increase in referrals year on year has been noted

Regular meetings and liaison are undertaken between counter fraud staff and key personnel where the policy and reporting lines for fraud and bribery concerns are

promoted. Furthermore, articles and emails are disseminated periodically communicating updated information and emerging fraud risks.

This item is rated green

7. Those charged with the responsibility for counter fraud, bribery and corruption activities partake in continued professional development (CPD) periodically to ensure they are up date with legislation and the latest counter fraud techniques.

Rating: GREEN

Counter fraud staff can demonstrate attendance at conferences and meetings and training courses held in connection with the LGA, MHCLG, CIPFA and the IIA where updates and advice guidance is provided in respect of anti-fraud legislation and best practice. Furthermore, counter fraud staff are members of relevant forums and groups.

The Chief Internal Auditor can demonstrate strategic and operational support in respect of CPD matters and therefore this item is rated green.

Acknowledge - Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

8. There is an annual program of work with the intention of turning these 23 items (as set out in the strategy) into action and embedding a counter fraud culture throughout NCC. Multiple platforms are utilised to ensure NCC's commitment to tackling Fraud, Bribery and Corruption is commutated effectively including: face to face meetings, presentations at events, E-learning (mandated for key stakeholders), emails, social media, newsletters, crime awareness toolkits provided by organisations such as CIPFA and, other available awareness platforms.

Rating: AMBER

NAS has developed an activity plan following the production of the NCC Anti-Fraud, Bribery and Corruption Operational Strategy (v2017).

The activity plan is focused on identifying and targeting areas within NCC which are vulnerable to the risk of fraud, bribery and corruption and; to raise awareness and contribute towards a robust anti-fraud, bribery and corruption culture to the council's members, employees, consultants, suppliers, contractors, outside agencies, their employees and any other party that NCC is in a formal partnership relationship with, including the wholly owned companies.

The activity plan has been developed to reflect both the NCC Policy, Strategy, and the national 'Local government counter fraud and corruption strategy 2016 – Fighting Fraud and Corruption Locally' (FFCL).

The Activity Plan requires updating and refreshing in 2019 and therefore this item is rated as amber.

Action: Update NAS Anti-Fraud Activity Plan (2020-21)

9. The Counter Fraud, Bribery and Corruption Policy is reviewed and updated annually to ensure it is up to date with current legislation and industry best practice. Activity is undertaken on a regular basis to promote awareness of the policy and its provisions.

Rating: GREEN

The NCC Anti-fraud, Bribery and Corruption Policy was updated and reviewed in August 2017 and approved by the Audit Committee in September 2017.

The policy has been published in the Internet and articles have been circulated in the NCC publication; Norfolk Manager, promoting the policy.

Furthermore, the provisions of the policy form part of a new eLearning program which is being disseminated on a departmental basis and therefore this item is rated green.

10. The risk of Fraud, Bribery and Corruption is acknowledged and referenced within key policies to create a suite of Counter Fraud, Bribery and corruption arrangements intended to embed a counter fraud culture throughout NCC.

Rating: GREEN

The key policies within NCC that have been identified as pertinent to this item are:

- The Anti-Fraud, Bribery and Corruption Policy
- Code of Conduct and Behaviour Policy
- Whistleblowing Policy

The Anti-Fraud, Bribery and Corruption Policy specifies the reporting lines for fraud concerns and references the related policies as per the item.

The NCC Whistleblowing Policy was reviewed in September 2018 and updated to include sufficient anti-fraud text accordingly.

The NCC Conduct and Behaviour Policy directs staff towards the Whistleblowing policy for the reporting of Fraud and Bribery Concerns and therefore this item is rated green

11. There are arrangements in place for the reporting of fraud, bribery and corruption concerns which are publicised and promoted throughout NCC and those it does business with. Staff awareness of the reporting process is tested

periodically.

Rating: GREEN

The Anti-Fraud, Bribery and Corruption Policy sets out the NCC policy and procedure for the reporting of Fraud and Bribery concerns. The policy states that all suspected fraud should be reported to either; The Chief Internal Auditor, The Director of Governance or via the NCC Whistleblowing arrangements.

A staff survey was conducted in December 2018 to test staff awareness of the Council's Anti-Fraud provision and therefore this item is rated green.

12. There are arrangements in place for the monitoring and review of the NCC Standards of Conduct and Behaviour Policy along with the associated registers for external interests and gifts and hospitality. Staff awareness of policy, and the reporting mechanisms in place for declaring interests is measured periodically.

Rating: IN PROGRESS

The NCC Conduct and Behaviour Policy sets out clearly the expectation on staff to declare any conflicts of interests and gifts/hospitality received.

Staff awareness of the policy and reporting requirements is ongoing via available eLearning.

A recent audit has identified that the mechanisms in place for the reporting, recording and monitoring require strengthening and therefore this item is rated as amber.

Action: As a result, an audit in the area of conflicts of interest, a steering group has been set up with a remit to strengthen the reporting mechanisms in place for the declaring of interests/gifts and hospitality and how this will be monitored going forward.

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

13. All staff within NCC are provided with knowledge (proportionate to their role) of what constitutes fraud, the fraud risks that are prevalent, and how to report concerns. Staff knowledge is tested periodically.

Rating: IN PROGRESS

An eLearning program has been developed to provide knowledge on the Fraud Act 2006, the Bribery Act 2010, the reporting lines for concerns and the requirements of the Conduct and Behaviour Policy. A further 200 staff members have completed the eLearning since last reporting

A staff survey has been developed and promoted during the reporting period designed to test staff knowledge and gain feedback in respect of the Anti-Fraud measures in place at the Council.

The survey results have been provided to the Audit Committee at Appendix B and will be used to direct pro-active fraud prevention work in the coming year.

The eLearning continues to be rolled out to key staff and therefore this item is rated as amber.

Action: Continue to roll out the eLearning program to departments.

14. There is a system of monitoring, follow up and review in place relating to new and emerging fraud, bribery and corruption risks. Where identified, warnings are issued to relevant departments so that prevention measures can be implemented.

Rating: GREEN

By keeping up to date with relevant publications and being members of bodies such as the ACFE, CIPFA, IIA and LGA, those responsible for the counter fraud arrangements at NCC are periodically updated with new and emerging fraud, bribery and corruption risks.

Furthermore, fraud risks are identified via the audit program and the reporting mechanisms in place within NCC.

Where new fraud risks are identified NCC are able to demonstrate instances where circulation of the risks to the relevant departments have been circulated along with follow-up meetings and action points arising and therefore this item is rated as green.

15. There are proportionate processes in place for the prevention, detection and deterrence of fraudulent activity throughout NCC's service lines to include: LA Maintained Schools, Norfolk Infrastructure, Adult Social Care and Children's Services. Where fraud has been identified, root cause analysis is undertaken and prevention and deterrence measures implemented where necessary.

Rating: Untested during the period.

This item has not been subject to specific counter fraud review during the period and will form part of future anti-fraud, bribery and corruption activity plans.

16. There are proportionate processes in place for the prevention, detection and deterrence of fraudulent activity in the area of procurement to include: Conflicts of Interest, Bribery, False Quotes and Tenders, Manipulating Tender Processes and Contract Splitting. Additionally, procurement staff are made aware of the

prevalent fraud, bribery and corruptions risks that are faced, and periodic fraud risk reviews undertaken.

Rating: IN PROGRESS

An audit is currently in progress covering the areas of this item.

17. There are proportionate processes in place for the prevention, detection and deterrence of fraudulent activity in the area of banking control, invoice fraud and mandate fraud to include: financial system access, segregation of duties, banking fees, supplier bank details changes, authorised persons and delivery checks. Additionally, relevant staff are made aware of the prevalent fraud, bribery and corruptions risks that are faced, and periodic fraud risk reviews undertaken.

Rating: Untested during the period.

This item has not been subject to specific counter fraud review during the period and will form part of future anti-fraud, bribery and corruption activity plans.

18. There are proportionate processes in place for the prevention, detection and deterrence of fraudulent activity in the area of payroll fraud to include:

Recruitment, Illegal working, Working Whilst Sick, Secondary Employment, Overtime and Expenses. Additionally, relevant staff are made aware of the prevalent fraud, bribery and corruptions risks that are faced, and periodic fraud risk reviews undertaken.

Rating: Untested during the period.

This item has not been subject to specific counter fraud review during the period and will form part of future anti-fraud, bribery and corruption activity plans.

19. There are proportionate processes in place for the prevention, detection and deterrence of cyber-crime related fraudulent activity. Additionally, relevant staff are made aware of the prevalent fraud, bribery and corruptions risks that are faced, and periodic fraud risk reviews undertaken

Rating: AMBER

Testing is undertaken by IMT on a regular basis to test NCC systems for external vulnerabilities and; internal risks included phishing email tests to evaluate staff awareness of fraudulent cyber related crime.

Regular updates and awareness communication are issued and published around NCC relating to cyber-crime activity, including posters for departments to utilise and publications in Norfolk Manager and Friday Takeaway.

External consultants were commissioned in a previous reporting period to undertake audit work in relation to cybersecurity and make recommendations to enhance the provision in place.

From the Cyber Security audit work undertaken, recommended actions remain outstanding at the time of reporting and therefore this item is rated Amber.

New mandated training on cyber security risks has been rolled out during early 2020.

Action: Work is ongoing by IMT to complete outstanding actions and is being monitored by Norfolk Audit Service.

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

20. All reports, allegations and investigations relating to financial crime are recorded in a central register to inform intelligence, comply with legislation and assist with identifying repeat offences.

Rating: GREEN

As the NCC Anti-Fraud, Bribery and Corruption Policy sets out the reporting lines staff must use where fraud or bribery concerns are identified.

All referrals received are recorded and files created containing the relevant information and evidence which can be referred to by the appropriate personnel for intelligence purposes and review.

The levels of referrals and investigations undertaken are regularly reported to the audit committee for review and discussion.

This item is therefore rated green.

21. Research and development activities are undertaken periodically to assess and implement measures for preventing and detecting fraud and corruption through the use of technology across NCC's service lines.

Rating: GREEN

Specific work has been undertaken during the period to research the use of technology to prevent and detect fraud including:

- Working with the Head of IMT and collaborating with partner councils to initiate a new FraudHub for detecting fraud.
- Researching internal capability for technology-based fraud prevention tools.

FraudHub provides local authorities, government agencies and housing associations who want to work together the ability to regularly screen their data for a range of benefits to prevent mistaken, or fraudulent payment from being made.

Being able to ensure services provided by Local Authorities are for genuine cases helps ensure budgets are not drained and the risk of fraud is minimised.

22. Consideration is given to the appropriate investigation methods for all allegations of fraud, bribery or corruption on a case by case basis to ensure that: the recovery of financial losses is prioritised from the outset through an assessment of likelihood and viability.

Rating: GREEN

The Anti-Fraud, Bribery and Corruption Policy states that:

- Disciplinary procedures will be initiated where an employee is suspected of being involved in a fraudulent or illegal act.
- The civil recovery route is also available to NCC if this is cost-effective and desirable for deterrence purposes.
- Criminal investigations are primarily used for dealing with any criminal activity. The main purpose is to determine if activity was undertaken with criminal intent.
- The seeking of financial redress or recovery of losses will always be considered in cases of fraud or bribery that are investigated by NAS or NCC where a loss is identified.

Where referrals are made regarding staff at the council that may be indicative of fraud, these are referred to the Disciplinary Advisory Review Group (DARG) where the above options are considered and authorised. The group will invite the relevant specialists and officers to attend to ensure that the case is assessed currently and therefore this item is rated as green

23. NCC supports the investigation of allegations of fraud, bribery and corruption. Following an initial assessment, investigations relating to financial crime are undertaken by an Accredited Counter Fraud Specialist (or equivalent) and compliant with relevant legislation. Evidence is collected lawfully and without regard to any anticipated outcome of an investigation, whether it is disciplinary action, civil action or criminal proceedings.

The Chief Internal Auditor holds the CIPFA Certificate in Investigative Practices. The Investigative Auditor is an Accredited Counter Fraud Specialist (University of Portsmouth).

Where it is implied allegations have a financial element, they are forwarded the Chief Internal Auditor for review and initial assessment.

Where an investigation is required under the NCC disciplinary policy, the collection of evidence is considered in line with the Police and Criminal Evidence Act 1984 where required.

Therefore, this item is rated green.

Fighting Fraud and Corruption Locally

A strategy for the 2020s

A response to economic crime and fraud



With support from:



This is the third Fighting Fraud and Corruption Locally Strategy, produced by local government for local government.

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Foreword

— Richard Watts



Since the first strategy was produced in 2011 councils have faced significant financial challenges. Councils have innovated, collaborated and prioritised in order to meet the financial challenge and to protect front line services. Tackling the threat of fraud and corruption has been and continues to be a cornerstone of protecting council finances and enabling them to maximise the value of every pound spent on behalf of local residents.

Every pound siphoned off by a fraudster is a pound that cannot be spent on services where they are needed. Councils need to be vigilant. Councils have a good record in countering fraud and the strategy contains numerous case studies and examples of successes.

As the strategy highlights, it is estimated that about one in three of all crimes committed nationally is fraud based and fraudsters are always seeking new ways to take money. The strategy also highlights that potential losses to fraud could run into hundreds of millions or even billions of pounds if preventative action is not

taken. Councils need to be agile and work together with national agencies and the Government to respond to new fraud threats, to prevent losses and to protect vulnerable people in our society. Collaboration to counter and prevent fraud is a theme running through the strategy.

The Fighting Fraud and Corruption Locally Strategy is an excellent example of how councils can come together for the overall benefit of local services and residents served. The strategy has been led by the Fighting Fraud and Corruption Locally Board. This Board has been described as “a coalition of the willing”. It is a group of senior multi-disciplinary experts from councils working together with partners, that work with the councils on counter fraud activities. The Board is currently chaired by a representative from the Society of Local Authority Chief Executives (SOLACE). The Board members and the organisations they come from all provide their expertise on a pro bono basis, for the benefit of the sector and to help counter fraud. The board is supported by the LGA. In carrying out the research to draft this new strategy, the board has run several workshops up and down the country that have been attended by representatives from more than 250 councils. The work of all these people is reflected in the strategy and our thanks are due to all of them.

The strategy outlines, outlines a governance framework for continuing national and regional collaboration on counter fraud under the Fighting Fraud and Corruption Locally umbrella. Section four of the strategy outlines a practical programme and checklist for individual councils to follow.

I am happy to endorse this strategy on behalf of the LGA and welcome it as an opportunity for councils to review and further improve their counter fraud work in the 2020s.

Cllr Richard Watts

Chair Resources Board, Local
Government Association
Leader Islington Council

Foreword

— Mike Haley



As the Chair of the Joint Fraud Taskforce I am delighted to support The Fighting Fraud and Corruption Locally 2020 strategy at a time when incidences of fraud and corruption are rising and there is an identified need for councils and their leaders to adopt a robust response.

Having worked as a fraud investigator I understand the importance of collaborative working and of having a structure and framework that guides and governs counter fraud and associated corruption activities.

Through working together and applying the principles of this strategy I am convinced that, perhaps for the first time, we have a model for true collaboration that is so important in identifying fraudsters, often organised groups, who seek to undermine and take financial advantage of systemic vulnerabilities and abuse those citizens in our community who are in themselves vulnerable.

I recognise the challenge that we all face in having to balance demands on resource across essential services at a time when funding is constrained. However, I also recognise the important role that local authorities and their frontline services play in tackling fraud and corruption that are a drain on those resources. Savings through enforcement and bringing fraudsters to justice can be used to support our social services and can build stronger and safer communities.

I am convinced that this strategy is an important step in tackling fraud and corruption that is so corrosive to society. In my role as Chair of the Joint Fraud Taskforce I welcome my local authority colleagues. By working together, I am convinced that we can deliver a step change in tackling fraud.

Mike Haley

Chair of the Joint Fraud Taskforce

The Joint Fraud Taskforce is a partnership between banks, law enforcement and government to deal with economic crime.

Executive Summary

Fighting Fraud and Corruption Locally 2020 is the updated counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities with the support of those at the top.

By using this strategy local authorities will:

- *develop and maintain a culture in which fraud and corruption are unacceptable*
- *understand the harm that fraud can do in the community*
- *understand their fraud risk*
- *prevent fraud more effectively*
- *use technology to improve their response*
- *share information and resources more effectively*
- *better detect fraud loss*
- *bring fraudsters to account more quickly and efficiently*
- *improve the recovery of losses*
- *protect those at risk.*

This strategy is aimed at council leaders, chief executives, finance directors and all those charged with governance in local authorities including those on audit committees and with portfolio responsibility. It is produced as part of the Fighting Fraud and Corruption Locally initiative, a partnership between local authorities and key stakeholders, and succeeds the previous strategies written in 2011 and 2016. It is not 'owned' by any one organisation but by the local authorities who have given time and support to develop it. Areas of focus for elected members, chief executives and those charged with governance are laid out in Section 4: The Local Response.

This partnership has been so successful it has existed since 2010 when the research and engagement first began.

Local authorities continue to face a significant fraud challenge and while the official figures are dated the argument about protecting funds and vulnerable people remains. The National Fraud Authority estimated local authorities face the threat of £2.1bn fraud in a year in 2013. In fact, the Annual Fraud Indicator produced by Crowe Clark Whitehill estimates that figure may be as high as £7.8bn in 2017, out of a total of £40.4bn for the public sector as a whole. The Government's Economic Crime Plan states that the numbers of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

Every £1 that a local authority loses to fraud is £1 that it cannot spend on supporting the community. Fraud and corruption are a drain on local authority resources and can lead to reputational damage and the repercussions maybe far reaching.

Fraudsters are constantly revising and sharpening their techniques and local authorities need to do the same. There is a clear need for a tough stance supported by elected members, chief executives and those charged with governance. This includes tackling cross-boundary and organised fraud and corruption attempts, as well as addressing new risks such as social care fraud and cyber issues.

In addition to the scale of losses and potential losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities report that they are still encountering barriers to tackling fraud effectively, including lack of incentives, data sharing, information sharing and powers, but also that they require support from senior stakeholders and those in charge of governance.

These factors do present challenges. However, this strategy demonstrates the tenacity of local fraud teams in continuing to lead on innovation and collaborate and also that there is a network of local leaders willing to support this initiative. This strategy, then, is about creating a self-sustaining counter fraud response for the sector.

Review of 2016 Fighting Fraud and Corruption Locally Strategy

The previous two strategies focused upon pillars of activity that summarised the areas local authorities should concentrate efforts on. These were ‘acknowledge’, ‘prevent’ and ‘pursue’.

These pillars are still applicable. During the research for this strategy they were supported as key areas by those who have input. However, another two areas of activity have emerged that underpin tenets of those pillars. These are ‘govern’ and ‘protect’.

The pillar of ‘govern’ sits before ‘acknowledge’. It is about ensuring the tone from the top and should be included in local counter fraud strategies.

Govern

Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.

Acknowledge

Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

Prevent

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

Pursue

Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response.

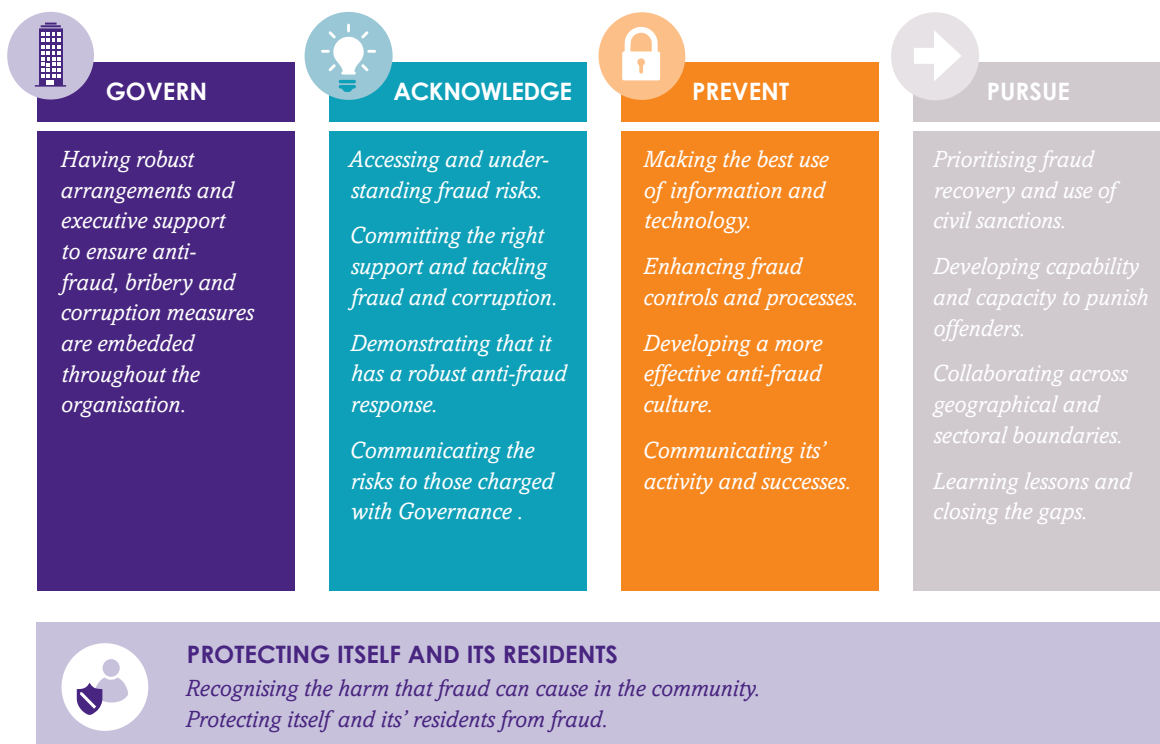
Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat and protect themselves and the community.

The second new area that has appeared during the research recognises the increased risks to victims and the local community:

Protect

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.



This strategy and its tools provide ways for local authorities to further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and by focusing on the key changes that will make the most difference.

Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes – the six Cs – that emerged from the 2016 research:

- Culture
- Capability
- Competence
- Capacity
- Communication
- Collaboration

Many local authorities have demonstrated that they can innovate to tackle fraud and can collaborate effectively to meet the challenges. Indeed, many have identified that a reduction in fraud can be a source of sizeable savings. There are case studies and quotes through this document evidencing the good work that is already happening.

This strategy

- *recognises that fraud is not a victimless crime and seeks to protect the vulnerable from the harm that fraud can cause in the community*
- *calls upon senior management in local authorities to demonstrate that they are committed to tackling fraud and corruption*
- *calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment*
- *calls upon local authorities to work together to illustrate the benefits that can accrue from fighting fraud more effectively*
- *calls upon senior stakeholders to listen to the business cases on barriers put by local authorities in order to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers such as a lack of powers.*

Case Study

Birmingham City Council: Acknowledge Using data to tackle fraud

In the original Fighting Fraud Locally 2011 Birmingham City Council was cited as good practice for setting up a data warehouse and protecting public funds. BCC continues to put fraud at the top of the agenda.

BCC has used a well-established, sophisticated data warehouse to develop an automated programme of data matching that allows potential fraud and error to be detected within 24 hours. This has been particularly effective in identifying fraudulent claims for council tax single person discounts and fraudulent housing applications. In time BCC expects the process to reduce the amount of fraud or error requiring a formal investigation as it will have been prevented or stopped almost as soon as it began. As a result, services that are being provided incorrectly can be stopped quickly, thus helping to preserve resources and reduce the level of fraud and error.

“Local authorities must ensure they take the necessary steps to put in place a strategy which can deliver a response that protects itself and its residents. Councils need to commit adequate resources to support that work and also measure its progress against that strategy. Fighting Fraud and Corruption Locally provides the necessary tools and ideas to support that work.”

Trevor Scott, Chief Executive Wealden District Council

Introduction

This strategy document is aimed primarily at council leaders and other elected members, chief executives, finance directors and those charged with governance in local authorities.

As a result of lessons learned during previous incarnations this document contains the core strategy together with companion documents which provide more detailed guidance on its implementation which will be updated when necessary during the life of this strategy. In that way there will be live documents for practitioners to draw upon that will more readily reflect the ever changing fraud local landscape.

We recognise that pulling together practitioners and stakeholders to discuss these issues is a local authority exercise and detracts from day-to-day activity where there are limited resources in place. Therefore this strategy will cover from 2020 onwards supported by live companion documents.

The research for this strategy was carried out by local practitioners and board members.

The research was commissioned by the board and was coordinated by the secretariat.

The research consisted of:



The original Fighting Fraud Locally 2011 strategy was launched with a series of pilots and joint working, conferences and awards and was hugely successful. The workshops highlighted much work being done in local authorities that is commendable and can prevent fraud across boundaries. Therefore, as part of these fact-finding engagement exercises those that attended workshops were asked to offer activity to demonstrate the partnership as part of FFCL. Around 30 activities and events have been identified for 2020 that demonstrate some of the good practice found during the research for this document and show that local authorities continue to tackle fraud and corruption. It is intended that these examples will be used to kick-start momentum in the way that the 2011 strategy did. In addition a number of working groups have formed already to implement the recommendations.

The activity following the publication of FFCL 2016 was more limited. There was no formal local launch and limited board activity. Therefore some of the issues raised during that research still persist. Efforts have been made to redress this during the research for this strategy by setting in place activity to address those persistent issues.

Nevertheless it is clear that local authorities continue to tackle fraud, as evidenced in this strategy's case studies and by the appetite to take forward the issues raised during the research and in the good practice guides.

Several new areas were raised during the research as barriers to overcome and local authorities have already stepped up to join together to help tackle these barriers. As part of the engagement exercise working groups and local authorities are already in place to begin the work on these issues.

This document is divided into four sections:

Section 1

The Context

Sets out the nature and the scale of fraud losses, the argument for measurement and the key issues raised by stakeholders.

Section 2

The Strategic Response

Describes the response that is required from local authorities to address the challenges they are facing, identifying the activities necessary in order to achieve the strategic vision.

Section 3

Turning Strategy into Action – Delivery Plan

Sets out the recommendations and the framework for delivery.

Section 4

The Local Response – Appendices

Companion Annexes

The live companions to this strategy document set out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective. These documents may be refreshed at any time during the life of the strategy. They are not part of the strategy but are further guidance that is changeable. Areas they cover include fraud risks, good practice and the counter fraud local landscape.

Section 1: The Context

a) The scale of fraud and corruption

It is accepted that fraud affects the UK across all sectors and causes significant harm.

The Office for National Statistics states that one in 16 members of the population is likely to fall victims. The Government's Economic Crime Plan 2019 states that the number of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK.

The last, most reliable and comprehensive set of local authority figures was published by the National Fraud Authority in 2013, and indicates that the fraud threat may have been costing the UK £52bn a year.

Within these figures the threat to local authorities totalled £2.1bn.

More recent estimates are higher. The Annual Fraud Indicator produced by Crowe Clark Whitehill estimated that figure may be as high as £7.8bn in 2017 of which procurement fraud was estimated as £4.3bn. This study estimated that the total threat faced by the public sector was £40.4bn.

“We do not have a wholly reliable estimate of the total scale of economic crime. However, all assessments within the public and private sectors indicate that the scale of the economic crime threat continues to grow.”

Economic Crime Plan 2019

The National Fraud Authority estimated public sector fraud (including local government) at £20.6bn in 2013.

The National Audit Office's Local Landscape Review 2018 estimated fraud at up to £20.3bn excluding local government.

The estimated losses for local authorities in 2013 are broken down in the following by identified fraud losses and hidden fraud losses:

Estimated Local Government Fraud Loss 2013

Fraud Type	Estimated loss
Housing tenancy fraud	£845m
Procurement fraud	£876m
Payroll Fraud	£154m
Council Tax fraud	£133m
Blue Badge Scheme misuse	£46m
Grant fraud	£35m
Pension fraud	£7,1m

Annual Fraud indicator 2013

These figures do not take into account the indirect costs of responding to and dealing with fraud and exclude some potentially significant areas of fraud loss. The fraud landscape has changed since 2013 as councils have introduced new ways of working and innovative responses to risks, while at the same time new areas of fraud risk have appeared.

Local authorities were sceptical about current publications on sector fraud figures and performance as there was a plethora of different numbers with no agreement or consensus. However, they remain keen to develop a consistent risk and performance methodology for the sector and for individual councils to estimate the potential risk they face on a consistent basis. Following the research for this strategy, a working group has been set up to develop methodologies for the sector to use.

b) The nature of the problem

In June 2019 the Government published its first Economic Crime Plan and included fraud and corruption in the definition.

The Government's Economic Crime Plan 2019

What is economic crime?

To help establish our partnership, we have agreed a common language across the public and private sectors regarding economic crime. We have used the following definition of economic crime to guide our efforts. Economic crime refers to a broad category of activity involving money, finance or assets, the purpose of which is to unlawfully obtain a profit or advantage for the perpetrator or cause loss to others. This poses a threat to the UK's economy and its institutions and causes serious harm to society and individuals. It includes criminal activity which:

- allows criminals to benefit from the proceeds of their crimes or fund further criminality

- damages our financial system and harms the interests of legitimate business
- undermines the integrity of the UK's position as an international financial centre
- poses a risk to the UK's prosperity, national security and reputation

1.12 This definition is broader than terms such as 'financial crime' or 'white-collar crime' to provide a holistic response to the following types of criminality:

- fraud against the individual, private sector and public sector
- terrorist financing
- sanctions contravention
- market abuse
- corruption and bribery
- the laundering of proceeds of all crimes

For the purposes of this strategy we have retained the terms 'fraud' and 'corruption' while recognising that they are part of a wider agenda. The strategy has not been re-titled 'Economic Crime'.

c) Issues raised by stakeholders

During the workshops and research a number of barriers to effective working were raised – the main issues raised are below. Participants were asked how they would solve these issues and there were many ideas and opportunities presented. Local authorities are keen to play a part and influence the outcomes. Therefore a working group has been set up for each of these areas to assess the evidence so far, collect any further evidence and to report into the secretariat for the FFCL Board to consider. There is evidence to create an FFCL operational group from the current FFCL representative network. Further detail on how this will operate will be in the live Delivery Annex.

Recommendation: A single regional FFCL operational group should be formed from the existing FFCL regional representatives.

Fraud measurement

While recognising that the repercussions of fraud are wider than financial it is important that councils have an up-to-date estimate of what the figures and areas of risk appear to be. There are a number of different methods of calculating fraud losses, and these vary across regions. Moreover the fraud priorities differ across regions. External organisations present figures to the sector but there is little or no ownership of these within local authorities. Local authority attendees raised this lack of independent analysis and free benchmarking to look at areas in deep detail rather than reported figures on numbers of referrals or cases detected. Local authorities could use this analysis to make the business case to tackle fraud, understand fraud issues more closely and see a more detailed picture across boundaries.

Recommendation: A working group on measurement should be formed to develop a consistent risk and performance methodology for the sector.

Local authorities have agreed to work together to build a set of figures for use as an indicator of actual losses, prevention measures and fraud areas. In addition this group will look at the area of benchmarking. This work is underway and the working group is now formed and is in place.

Powers

Local authorities welcomed the introduction of the Prevention of Social Housing Fraud Act (PSHFA) and reported that it had improved accessibility to information and intelligence.

However, some issues on powers that had been raised previously had not been taken forward by any parties, as the PSHFA, had and have been exacerbated by

Case Study

An employee responsible for managing Ipswich Market and collecting stall rent from traders was prosecuted for theft of cash collected. The council's finance team identified an irregularity when it attempted to reconcile income received to income due. The theft was valued at £33,376 and totalled 91 thefts. The employee was given an 18-month prison sentence suspended for two years and ordered to carry out 250 hours of unpaid work in the community.

He was also ordered to pay £14,000 compensation to Ipswich Borough Council at the rate of £400 a month.

new fraud areas such as social care fraud where local authorities report it is difficult to obtain information. During the research local authorities have provided a number of examples across service areas where they cannot obtain information or access organisations in order to progress investigations.

There are a number of potential avenues to resolve these issues and local authorities have themselves suggested opportunities to resolve these. These issues need to be explored further to identify and evidence areas where lack of powers currently frustrate efforts by the sector to successfully progress counter fraud investigations. This will then enable the sector to lobby for the additional powers required.

Recommendation: A working group on powers should be formed.

Local authorities have agreed to work together to identify and evidence areas where lack of powers currently frustrate efforts by the sector to successfully progress counter fraud activity and identify what additional powers are required, what forms that should take and to examine the suggestions that have been collated. This evidence should then be used to lobby government to grant additional powers required. This recommendation is underway and the working group is now formed and is in place

Incentives

Local authorities welcomed the Counter Fraud Fund in 2015 which had been distributed by the then Department for Communities and Local Government

This fund was a one-off and there were good results that are detailed on the Local Government Association Counter Fraud Hub page. However, many local authorities did not have the opportunity to bid and some had lost resources. Local authorities reported that they did not have funds to set up dedicated teams or undertake proactive work, and offers of technology were expensive and often duplicated existing offerings. Local authorities have made some suggestions about ways in which counter fraud activity may be funded. Local authorities have put together ideas on what types of incentives could support improved activity.

Recommendation: A working group on incentives should be formed.

Local authorities have agreed to work together to indicate where incentives may be required from Government and what forms they may take and to examine the suggestions that have been collated in the research.

The working group is now formed and is in place and the work is underway.

Data analytics and matching

A number of data related initiatives exist which local authorities may take part in for example, counter fraud hubs. At the majority of workshops it was said that there is inconsistent advice, high pricing, lack of discussion with suppliers and difficulty filtering out what is useful from what is not. The National Fraud Initiative has two products which were highlighted as useful and these are the Fraud Hub and AppCheck. It was also reported that there were issues with data quality, data standards and a lack of quality assurance about products.

Recommendation: A working group should be formed to review existing data related initiatives available to local authorities and recommend best practice or new ideas.

Local authorities have agreed to form a working group to look at the area of data. A number of ideas have been put together and the group will consider these and what further activity is required. This group will need to decide what is in scope for this work as the issues raised are varied. This recommendation is underway and the working group is now formed and is in place.

Social care issues

At most workshops the area of social care fraud was raised. Social care fraud harms the community and vulnerable individuals who are unable to detect scams or fraud and are often unable to report them. Sometimes abuse of funds by family members or carers complicates the situation. This can include financial abuse of vulnerable persons, not just direct payments and personal budgets.

This area of fraud has emerged as a growing risk since the last strategy was published. The impact of this risk on already stretched social care services and budgets is potentially very significant. For this reason, organisations with relevant skills together with those local authorities that have developed good practice have offered to support work in this area of risk. Our research also highlighted a number of ideas about identifying and tackling some systemic vulnerabilities in this area. Local authorities should ensure fraud strategies are aligned with safeguarding responsibilities to ensure we actively protect the most vulnerable in our communities. Close working with social care teams will be required with joint approaches and planning.

Recommendation: A working group on social care fraud should be formed to look at how local fraud strategies should align to local authorities' safeguarding responsibilities as well as to identify best practice in countering risks relating to social care fraud.

Local authorities have agreed to form a working group to look at the area of social care fraud. A number of ideas have been put together and the group will consider these and what further activity is required. This recommendation is underway and the working group is now formed and is in place.

“Investing to prevent fraud should be one of the early steps in building your counter fraud response. The repercussions of fraud can be far reaching. We have a duty to protect residents in our communities from fraud and we should work in collaboration with officers across the council and partner agencies to prevent fraud and safeguard the vulnerable. Fraud is not a victimless crime”.

*Clive Palfreyman, Executive Director Finance & Resources
London Borough of Hounslow*

d) The themes

In FFCL 2016 a number of themes were identified and while those are still relevant and supported during the research one in particular stood out: collaboration.

Collaboration

There is an appetite for collaboration across the sector and geographically. However, it does not apply solely to local authorities. There is a need for collaboration across sectors, local law enforcement and with suppliers and external organisations.

The current FFCL regional representatives' network functions well. However, there is still a gap where information does not flow. There are also links to law enforcement and both national and local bodies which if they were stronger would help support the fight against fraud. Some councils already participate in regional bodies that could easily be better connected. There is overwhelming support for the idea of more formal FFCL-linked groups. Local authorities requested FFCL regional group.

There is also the possibility of exploring the principle of placing an obligation on partner bodies to share information to assist the detection and prevention of fraud even if the fraud is not against the sharing body.

Furthermore, local authorities reported the need to be more formally linked into the national law enforcement bodies. During the research a number of issues and patterns appeared in workshops that have been raised with enforcement; this demonstrates the merits of a joined-up approach. The Chief Executive of Cifas currently chairs the Joint Fraud Taskforce as well as sitting on the FFCL board and this has enabled Cifas to raise issues with the National Economic Crime Centre about local authorities' fraud risks. Local authorities requested support for better links to the major bodies in enforcement.

It was noted that where support was offered from outside the sector this could lead to a lack of 'ownership' by local authorities and that, had they been consulted or asked to contribute, products and services might have had better take-up. In particular, the cost of external support was raised several times as a barrier to take-up.

Recommendation: A single FFCL regional operational group should be created using the existing network that can link to relevant boards and enforcement.

Activity

During the workshops local authorities agreed to join the existing FFCL regional groups with a representative who is able to form part of a regional FFCL operational group supported by an FFCL Strategic Advisory Board (the current FFCL board).

The North East Regional Investigations Group will form a pilot and link to wider local law enforcement. This has been agreed with that region and is in place.

The new FFCL Strategic Advisory Board should have a dotted-line link into the Joint Fraud Taskforce, which will give access to the main players in local law enforcement.

There is further detail on this in the Delivery Plan Annex with a diagram that outlines how operational issues may flow upwards. The new FFCL regional operational group should be initially chaired by one of the local authority experts from the FFCL Strategic Advisory Board.

Organising ourselves

– a collaborative governance model

Local authorities involved in the workshops realised the need for a strategic board and were pleased that the FFCL board had been in place since 2010 with oversight and had stood the test of time. It was also noted that the board had changed in role several times as had the membership. The original board had been very active, the second board had been more of an oversight body and the current board was wider but less visible. Attendees at workshops raised questions regarding the governance of FFCL, the route for selection to the board and the seniority and expertise of the board.

Further detail is included in the Delivery Plan Annex

Attendees appreciated the support from the firms and private sector and did not object in any way to these board members. In particular, the rebuilt secretariat and the support for the conference and awards in 2019 were noted, as was Mazars' free support on toolkits.

Recommendation: It is recommended that a review of governance takes place in respect of the role of the current board in light of the FFCL regional operational group and links to the Joint Fraud Taskforce.

Further recommendations are detailed in the Delivery Plan Annex.

Case Study

The first social care fraud prosecuted by Veritau and City of York Council

Veritau investigated following a referral from a member of the public. This is the first prosecution of a social care fraud by the council's legal department and an area of development for the counter fraud team. Several prosecutions for social care fraud have been achieved before, but these were jointly investigated by the police and taken to court by the Crown Prosecution Service.

The defendant was the financial representative for his mother who received social care support funded by City of York Council. The council funded his mother's social care, and he failed to inform them when his parents' property sold in 2014. He subsequently lied about this on a financial assessment form. The £86,000 has been paid back to the council in full. Information was received that his parents' property had been sold in 2014 for £200,000 and he had not declared this to the council in an attempt to avoid paying for his mother's care fees. The investigation found that on two separate occasions in 2015 he informed the council that his parents were still joint owners of the property and that his father lived there. In a financial assessment for social care funding, jointly owned properties are disregarded if a family member continues to live there.

The counter fraud team worked alongside financial investigators from the council's trading standards team, who were able to obtain financial information which showed that £198,000 from the house sale was deposited into the son's bank account. This money should have been taken into account for his mother's social care funds, meaning that the council would not have had to pay £86,000 out of the public purse. As a result of the two teams working together, the man was billed and the entire loss has now been repaid to the council.

He pleaded guilty to two charges of fraud by false representation at York Magistrates' Court on 8 October 2019. The case was referred to York Crown Court for sentencing on 19 November where he received a 20-month suspended sentence and was ordered to do 80 hours of unpaid work. He was also ordered to pay court costs of over £1,100 and an £80 victim surcharge. When sentencing, the judge said that a significant factor in mitigation was that he had already repaid the £86,000 to the council.

e) Fraud risk areas

The research has highlighted the following types of fraud risks. These frauds are expanded on in the companion documents and the list below is a brief description:

Fraud risks raised in the research

<i>Social care fraud: personal budgets and direct payments</i>	overstatement of needs through false declaration, multiple claims across authorities, third party abuse by carer, family or organisation, posthumous continuation of claims
<i>Schools</i>	most issues that were raised in the workshops were also raised as issues for schools. This area did not feature in FFCL 2016
<i>Right to buy</i>	fraudulent applications under the right to buy/acquire
<i>Money laundering</i>	exposure to suspect transactions
<i>Commissioning of services</i>	including joint commissioning, joint ventures, commercial services, third sector partnerships – conflicts of interest, collusion
<i>Tenancy</i>	fraudulent applications for housing or successions of tenancy, and subletting of the property
<i>Procurement</i>	tendering issues, split contracts, double invoicing
<i>Payroll</i>	false employees, overtime claims, expenses
<i>Identity fraud</i>	false identity/fictitious persons applying for services/payments
<i>Council tax</i>	discounts and exemptions, council tax support
<i>Blue Badge</i>	use of counterfeit/altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees
<i>Grants</i>	work not carried out, funds diverted, ineligibility not declared
<i>Business rates</i>	fraudulent applications for exemptions and reliefs, unlisted properties
<i>Insurance fraud</i>	false claims including slips and trips
<i>Disabled facility grants</i>	fraudulent applications for adaptations to homes aimed at the disabled

“Fraud has not disappeared: it is ever present, evolving and affects the funding that is needed for frontline services. In many public sector bodies it is still an area where there is significant underinvestment, because they are not recognising the extent of the epidemic and seeing other priorities, particularly around service delivery, as more important. As fraudsters evolve, we must too. To these ends, through collaboration and intelligence sharing with a fraud prevention specialist service, we are ensuring that cases of fraud are not replicated across our partnership, mitigating controls are put in place and offenders are dealt with appropriately. Through our proactive intelligence-led approach we are taking steps to ensure the public purse is protected from all fraudulent activity.”

David Hill, Chief Executive South West Audit Partnership

Concessionary travel schemes – use of concession by ineligible person, including freedom passes

No recourse to public funds – fraudulent claims of eligibility

New responsibilities – areas that have transferred to local authority responsibility

Local Enterprise Partnerships – partnerships between local authorities and businesses. Procurement fraud, grant fraud. All LEPs should now be incorporated, with a local authority as accountable body, in a more formal and regulated relationship. Key issues are LEP governance, procedures for allocating/prioritising grants

Immigration – including sham marriages. False entitlement to services and payments

Cyber-dependent crime and cyber-enabled fraud – enables a range of fraud types resulting in diversion of funds, creation of false applications for services and payments.

However, during the research for this strategy it has become clear that some frauds have become more prevalent and that some risks have reduced. In addition, fraud risks were raised at several workshops about money laundering, suspicious activity reports and risks attached to local authorities becoming more commercial.

The details of these risks are included in the companions as these are seen as changing areas that may need frequent updating.

While the direct consequences of fraud may be financial and reputational loss there are wider impacts that surround the harm to victims locally and the harm in the community. Local authorities have raised a number of issues about protecting the vulnerable from fraud and this spans a large area. There are also other stakeholders in this local landscape who offer support to victims, have developed networks and done deeper research. A large number of volunteers have come forward from the workshops with good practice and a willingness to collaborate to prevent and tackle these issues. The main fraud risk area that has drawn attention is social care fraud. However, there are other frauds that may merit scrutiny.

Activity

Local authorities have agreed to form a working group to look at the area of social care fraud. A number of ideas have been put together and the group will consider these, what further activity is required and if any wider work can be done.

Economic Crime Plan 2019

Economic crime touches virtually all aspects of society. Economic crimes range across the full breadth of criminality, ranging from low-level frauds through to sophisticated cyber-enabled market manipulation. Fraud is now the second most common crime type in England and Wales, with nearly every individual, organisation and type of business vulnerable to fraudsters.

f) Counter Fraud Capacity, Competence and Capability

In FFCL 2016 themes were identified in the areas of capacity, competence and capability as part of the 6Cs – see page 23. These issues still exist.

Despite the challenge around capacity, competence and capability and lack of dedicated resource it is clear that activities to tackle fraud across the sector are being pursued and having a positive impact. But demand and growth in the number of incidents of fraud reported nationally mean local authorities must focus on areas of fraud that they identify as posing greatest risk and adverse impact on their organisations and the vulnerable. Working collaboratively and sharing resources should be encouraged and the FFCL regional board should undertake an analysis of which local authorities may benefit from support and how this might happen.

Many local authority practitioners reported that their capacity to tackle fraud and corruption had been reduced as a result of austerity-related local authority funding reductions. In addition several workshops were attended by shared service representatives and reported that non-attendees no longer had counter fraud resources. In one workshop it was noted that eight councils did not have any resource but that a colleague in the revenue department of a neighbouring authority had been 'helping out' across them. There are also situations that require collaboration: for example, a district council pursues council tax and business rates fraud, but the main beneficiaries are the county council and the Government.

In many cases practitioners also reported that some of the skilled investigation resource had been transferred to the Department for Work and Pensions and had not been replaced. There were large disparities in respect of numbers of staff and skills.

Local authorities reported that their staff did not always have the skills or training to tackle fraud and corruption. Many attendees were skilled and qualified. It was also clear that because a number of local authorities did not have access to a team they were not covering the full range of fraud activities. In contrast the workshops were well attended by experts who, while overloaded, were attempting to tackle all frauds but with one hand behind their backs. Very often they said they would be pleased to assist neighbouring councils but had no contact or requests. The FFCL regional board may assist with this and what support can be given.

In addition there were some parts of the country where the teams were not up to date with current local landscape issues or activities that would benefit them in their roles. At the FFCL 2019 conference questions were raised about free access to tools and

good practice and it was agreed to hold this in the Knowledge Hub, which is an independent, free tool that many local authorities already use. In addition some local authorities already have small networks in the Knowledge Hub that they could link to the FFCL pages. The Knowledge Hub has been open for FFCL since the summer and now contains the archive documents as well as details about other current issues.

Adult care services successful prosecution and repayment in full of fraud loss

The subject of this investigation was the husband of a Hertfordshire County Council service user in receipt of financial support to pay for daily care. He completed the financial assessment forms on behalf of his wife but failed to declare ownership of residential property that was rented out in the private sector.

The allegation originated from a social worker who had a 'gut feeling' that the couple had a second home and referred to matter to Herts' shared anti-fraud service.

The investigation found that the couple jointly owned three properties in addition to their residential home. All three properties were rented out and held equity.

The husband was interviewed under caution where he accepted ownership of the properties but denied any wrongdoing, stating that there was no capital in any of the additional homes and that he had been struggling financially since his wife became ill. As part of the enquiries conducted by the team a fourth property was identified abroad.

On 1 July 2019 at Luton Crown Court, he pleaded guilty to all three counts of fraud by false representation. He was sentenced to two years in prison, suspended for two years. The judge adjourned any financial sanction until the confiscation order was completed. A service decision was made in that had the financial assessment form been completed correctly and the additional property declared, the service user would have been deemed a self-funder and received no financial support for care. Therefore the loss to HCC was calculated as £75,713 and a future saving of £1,166 per week (£60,632 per year) was recorded.

The loss including interest was calculated to be £89,141, which he has paid in full.

Case Study

Collaboration on Protect and Pursue

A man was sentenced to 18 months' imprisonment, suspended for 18 months, after forging documents when applying for disabled persons' freedom passes and disabled persons' Blue Badges.

He was found guilty of 12 offences - nine at Brent, Enfield and Haringey councils. He then pleaded guilty to a further three charges of forgery at Waltham Forest Council.

A lengthy investigation, led by Brent Council's fraud team, discovered that the subject used fake birth certificates, utility bills and medical certificates to falsely present himself and others as disabled.

Brent Council worked with the other three local boroughs, who carried out their own thorough and professional investigations with Brent's support, to join up the charges that resulted in the successful verdict.

For the Brent, Enfield and Haringey offences he was sentenced to 18 months' imprisonment per offence for these nine offences to be served concurrently. The sentence was suspended for 18 months.

The man was sentenced to 12 months' imprisonment for each of the three Waltham Forest offences. This was also suspended and will be served concurrently with the 18-month sentence. He also needs to complete 20 hours of a rehabilitation activity requirement order.

Culture

Some local authority practitioners reported that senior managers were finding it difficult to dedicate sufficient time to demonstrate their support for counter fraud activities due to a focus on other priorities such as meeting budget savings targets and maintaining key services to residents.

This was considered to have a negative effect upon performance, and was associated with counter fraud work having a low profile and the benefits of counter fraud work not being fully appreciated. Appendix 1 details what senior officers and members should focus on.

There is reluctance in some cases to report identified fraud, for example in press releases, for fear of presenting a negative impression of an authority. Reporting of successful outcomes is a powerful tool in prevention and deterrence.

It is important to embed a counter fraud culture and this requires a focus and leadership from the top. This requires having an appropriate resource in place. There is a role for the audit committee to challenge activity, understand what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

Collaboration

Local authority practitioners demonstrated an appetite for working more formally across local authority boundaries and with other agencies, departments and the private sector. They reported a range of difficulties in securing progress to working together.

Examples included counter fraud work not being consistently prioritised across the sector, lack of financial incentives to make the business case to collaborate, local lack of understanding of data protection rules, and lack of funding.

They also reported an appetite for innovative use of data and wider data sharing, but had encountered barriers to this or made very slow progress.

Local authorities further reported that they found it hard to get the police involved in their cases and that they did not receive feedback on cases from crime reporting hotlines.

During the research a number of incidents were highlighted that demonstrated patterns of activity, organised fraud and money laundering. These issues have been acted upon. However, it is important that local authorities have access to routes where they can report these matters. Local authorities are the eyes and ears of the community and have a wealth of data that can help other local law enforcement if legally

accessed but this communication is not happening everywhere. This collaboration would support the fight against serious and organised crime. If the recommendations about links between the operational board and the JFT are agreed this will start to resolve some of the issues in this section.

Recommendations:

The external auditor should highlight FFCL and its appendices to the audit committee in the annual report

The regional network should continue use the Knowledge Hub as a free, independent, non-commercial confidential space to share information. When it is live the secretariat should hand it to the FFCL operational board.

Local authorities should partner with neighbours and engage in regional networks and should consider sharing resources and expertise. The FFCL operational board should take the lead on this.

While this strategy covers fraud and corruption, no instances of corruption were raised at the workshops though it was clearly considered alongside fraud in local strategies. The Ministry of Housing, Communities and Local Government has conducted research on procurement fraud and corruption that will be added to

the live FFCL documents.

“Working in partnership has allowed the Veritau member councils to establish a dedicated corporate fraud team. The team offers each council access to fraud investigators with specialist knowledge of the fraud risks facing local government. The team has also helped each council to recover significant fraud losses, particularly in new and emerging areas like adult social care.”

Max Thomas, Managing Director Veritau

Case Study

Devon Audit Partnership

A social housing local landlord alleged that Mr P was potentially subletting his property illegally to an unentitled third party. Mr P was already in the process of applying for the right to buy his social housing property.

The subsequent investigation revealed evidence that Mr P's friend was subletting the property from him and had been for at least two years. It also confirmed that Mr P was living in a private rented property with his girlfriend less than two miles away.

Mr P constantly denied the allegations. However, at his interview under caution with the DAP counter fraud services team, after repeatedly lying, he admitted the overwhelming evidence proved he was letting his friend live at his social housing property but denied that he had done anything wrong.

Mr P was subsequently prosecuted and pleaded guilty at that point to two offences contrary to:

Prevention of Social Housing Fraud Act 2013 – in relation to the dishonest illegal sublet of a social housing property

Fraud Act 2006 – in relation to the dishonest attempt to fraudulently obtain a £39,600 discount on his right to buy.

Mr P was sentenced to 160 hours' unpaid work for each charge and ordered to pay Plymouth City Council £750 towards its costs. Judge Darlow stated at the end of the case: “It was fraud [and] the decision by Plymouth City Council to prosecute is to be applauded.”

Section 2: The Strategic Approach

To support the delivery of the strategy there is a need for an action plan, appropriate governance arrangements and revised structures to underpin the key requirements to foster and improve collaboration across boundaries.

The recommendations contained in this strategy need to be turned into a set of achievable actions that are properly resourced, timetabled and allocated to appropriate local and national partners. These will need to be supported by an advisory board of senior stakeholders that commands widespread support and leadership across all levels of local

government. This should include the Local Government Association and the relevant central government departments.

New structures, appropriate to the changing demands, need to be constructed to support the delivery of the strategy. It is recommended that these are built upon the existing counter fraud arrangements already paid for by local government, and that the resources of the existing and new structures are committed to supporting the delivery of this strategy.

The key principles are laid out in the pillars and themes:



Govern

The bedrock of the strategy is that those who are charged with governance support the activity by ensuring that there are robust arrangements and executive support to ensure counter fraud, bribery and corruption measures are embedded throughout the organisation. Beating fraud is everyone's business. The internal arrangements that are put in place should be communicated throughout the organisation and publicly available to demonstrate the culture and commitment to preventing fraud.

Without exception the research revealed an 'ask' that those charged with governance be directed to the strategy and that this become a key element. During the research for FFL 2011 and 2016 it was requested that some key points be laid out for those charged with governance in local authorities to make it simple for them to ensure fraud was being tackled. This request was repeated on numerous occasions during the workshops for FFCL 2020. Some basic questions are laid out at the end of the strategy in Appendix 1.

The supplements to this strategy lay out some key stakeholders, their roles and the areas that they should consider when evaluating the counter fraud efforts in their organisations.

The pillar of 'govern' sits before 'acknowledge'. It is about ensuring the tone from the top and should be included in local counter fraud strategies.

Acknowledge

In order to create a counter fraud response an organisation must acknowledge and understand fraud risks and then demonstrate this by committing the right support and appropriate resource to tackling fraud.

This means undertaking a risk assessment of fraud areas and vulnerabilities and then agreeing an appropriate resource. Not every local authority requires a large team but they should have assessed the risk, have a plan to address it and have access to resources with the right capabilities and skills.

Prevent

Fraud can be prevented and detected by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

Local authorities should set in place controls to prevent fraudsters from accessing services and becoming employees. It is nearly always more cost-effective to prevent fraud than to suffer the losses or investigate after the event.

The technology to establish identity, check documents and cross-check records is becoming cheaper and more widely used. Controls should apply to potential employees as well as service users. If someone lies about their employment history to obtain a job they are dishonest and it may not be appropriate to entrust them with public funds. In any case they may not have the training or qualifications to perform the job to the required standard.

Case Study

Fraud Hub Hertfordshire County Council

Hertfordshire County Council and a number of its neighbouring authorities are taking the next step to protect themselves by sharing intelligence in a newly formed FraudHub from the National Fraud Initiative to ensure they can reveal the full extent of fraudulent activities within their region.

Results so far have been extremely positive for Hertfordshire with over...

- *3,000 Blue Badges cancelled*
- *3,000 concessionary travel passes being revoked*
- *120 LG pensions or deferred pensions stopped*
- *182 Direct Payments or personal budgets for adult care being stopped/reduced or reviewed*
- *15 residential care placements being cancelled*
- *23 payroll discrepancies being subject to further investigation*
- *50,000 customer records removed from database alone using mortality data*
- *More than £5m in estimated savings in its first 12 months*

Pursue

Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response on sanctions and collaboration.

Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat.

A further theme has appeared during the research to link with the government strategy but also recognising the increased risks to victims and the local community.

Protect

Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

For a local authority this will also cover protecting public funds, protecting its organisation from fraud and cyber-crime and also protecting itself from future frauds. This theme lies across the pillars of this strategy.

From the research it is clear that a large number of local authorities use the FFCL initiative as a basis for local plans. Some local authorities have embedded the pillars into operational work. An example of how this has been done is included in the Annexes.

Case Study Pursue

Subletting Case Study Westminster City Council – unlawful profits

The council investigated following an anonymous tipoff that the tenant of a council property was not using the address as required by their tenancy and was profiting from the short-term letting of the property using Airbnb.

Searches of Airbnb carried out by the investigator found the property, which is a studio flat, advertised as a whole property with over 300 reviews. The council investigator found that even though the listing was not in the tenant's name, some of the reviews mentioned the tenant by his name, thanking him for his advice and local restaurant recommendations.

The council obtained the tenant's bank statements under the provisions of the Prevention of Social Housing Fraud Act using the authorised officer service provided by the National Anti-Fraud Network. The investigator subsequently found credits totalling over £125,000 covering four years.

All payments were credited from Airbnb, PayPal or Worldpay. When investigators visited the property they found a man at the premises who denied being the tenant even though his appearance matched the tenant's description. The next day the adverts had been removed from Airbnb but the investigator

had already retrieved and saved copies.

The tenant failed to attend several interviews under caution, but when possession action began his solicitors asked for a further opportunity for their client to be interviewed under caution to provide an account of events. This was agreed but again the tenant failed to attend the interview. Having applied the Code for Crown Prosecutors to the facts of the case and the defendant's personal circumstances, criminal action was not taken.

At the possession hearing, the District Judge said the Airbnb evidence was strong and that there was no distinction between 'short-term let' and subletting the home. The judge found in favour of the council. At an unsuccessful appeal hearing the judge agreed to the council's unlawful profits order of £100,974.94 – one of the highest that has ever been awarded to the council.

The tenant has now been evicted from the property.

Fighting Fraud and Corruption Locally – embedding the pillars

Durham County Council's counter fraud and corruption team has embedded many of the themes to create a robust approach. They have set up partnerships across sectors and regions, created a data hub and used the FFCL strategy to inform all of their work. The audit committee has supported the team and attended the FFCL awards in 2019.

DCC believes the best defence is to create a strong anti-fraud culture based on zero tolerance to deter fraud from being committed. It has reinforced this with a new corporate fraud sanction policy.

Norwich City Council adopted the FFCL pillars into its anti-fraud and bribery strategy in 2017 with the additional pillars of governance (similar to the NHS model). This has had a positive response from council executives and members including the audit committee. The annual report contains a RAG-rated review against the criteria set out in the local strategy and an activity plan based on the criteria each year to demonstrate progress and highlight areas to focus on.

A more detailed explanation of these is in the Annexes.

The Themes – Six Cs

The live companions to this strategy document set out more information on how local authorities can ensure that their counter fraud response is comprehensive and effective. In the 2016 Strategy six themes were identified and during the research the workshop attendees were keen that these remain part of the strategy document.

Local authorities should consider their performance at a minimum against each of the six themes that emerged from the research conducted. To ensure this is effective and proportionate local authorities should benchmark this information where possible.

The themes are:

Culture – creating a culture where fraud and corruption are unacceptable and that is measurable

Capability – assessing the full range of fraud risks and ensuring that the range of counter fraud measures deployed is appropriate

Capacity – deploying the right level of resources to deal with the level of fraud risk that is monitored by those charged with governance

Competence – having the right skills and standards commensurate with the full range of counter fraud and corruption activity

Communication – raising awareness internally and externally, deterring fraudsters, sharing information, celebrating successes

Collaboration – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

Making the business case:

Investing in counter fraud activity –

Local authorities should pursue opportunities to invest in counter fraud and corruption activity in order to generate savings by preventing and recovering losses.

Local authorities do not, as a rule, explicitly budget for fraud losses (the exception to this is housing benefit, where subsidy losses are budgeted for). However, estimates of local authority losses demonstrate that there is a significant problem, and therefore a significant opportunity for local authorities.

Local authorities should seek to assess their potential losses and measure actual losses in order to make the business case for investing in prevention and detection. In many cases there is an existing business case based upon the experience of other local authorities. For example, the prevention and detection of fraud perpetrated in income areas such as council tax is now widespread and offers higher tax revenue which can be recovered through existing, efficient collection systems. However, each local authority will need to make its own case as fraud risks will vary significantly depending on location, scope, and scale of activities.

The moral case – fraud and corruption in local authorities are unacceptable crimes that attack funds meant for public services or public assets.

The result is that those in genuine need are deprived of vital services. Fraud and corruption are often linked with other criminal offences such as money laundering and drug dealing. Local authorities have a duty to protect the public purse and ensure that every penny of their funding is spent on providing local services. More often than not, in doing so they achieve wider benefits for the community. For example, adult social care sits within the precept for council tax and reducing fraud in this area means that taxpayers' money is protected and is an incentive.

Case Study

An interim manager hired vehicles for personal use covering at least nine different vehicles and costing more than £18,000. The fraud included various invoice frauds for gardening services and over £20,700 paid to the interim manager's account.

In total the interim manager's actions resulted in monies, goods or services with a total value of £60,882.16 being ordered or obtained at a cost to the council from seven suppliers, including false invoices purporting to be from a gardening company.

Thirty-one fraudulent invoices were introduced by the interim manager totalling over £48,000 and were processed, authorised and paid using the council's systems. A further eight invoices totalling

more than £7,000 were subsequently authorised by the interim manager's line manager for liabilities incurred by the interim manager. Employee purchase cards were used to pay for goods worth over £1,270 and the interim manager personally benefited by £4,000 from the compensation payment and over £20,780 from the fraudulent invoices he submitted from the gardening company.

The fraud was discovered via a whistleblowing referral to audit services

The council's investigation found that the maintenance company with the same bank account as the interim manager's company did not exist. The council's audit services department led an investigation with the police to take the matter to Birmingham Crown Court where the interim manager pleaded guilty to Fraud Act offences. He was sentenced to three years' imprisonment on 25 September 2019.

Section 3: Turning Strategy into Action

The Delivery Plan

To support the delivery of the strategy there is a need for an action plan, appropriate governance arrangements and revised structures to underpin the key requirements and foster and improve collaboration across boundaries.

The set of recommendations contained in this strategy need to be turned into a set of achievable actions that are properly resourced, timetabled and allocated to appropriate local and national partners. These will need to be supported by an advisory board of senior stakeholders that commands widespread support across all levels of local government. This should include the Local Government Association and the relevant central government departments.

New structures, appropriate to the changing demands, need to be constructed to support the delivery of the strategy. It is recommended that these are built upon the existing counter fraud arrangements already paid for by local government, and that the resources of the existing and new structures are committed to supporting the delivery of this strategy.

Further details on governance and recommendations are in the Delivery Plan Annex.

Section 4: The Local Response

Appendix 1

What should senior stakeholders do?

The chief executive

1. Ensure that your authority is measuring itself against the checklist for FFCL
2. Is there a trained counter fraud resource in your organisation or do you have access to one?
3. Is the audit committee receiving regular reports on the work of those leading on fraud and is the external auditor aware of this?

The section 151 officer

1. Is there a portfolio holder who has fraud within their remit?
2. Is the head of internal audit or counter fraud assessing resources and capability?
3. Do they have sufficient internal unfettered access?
4. Do they produce a report on activity, success and future plans and are they measured on this?

The monitoring officer

1. Are members, audit committees and portfolio leads aware of counter fraud activity and is training available to them?
2. Is the fraud team independent of process and does it produce reports to relevant committees that are scrutinised by members?

The audit committee

1. Should receive a report at least once a year on the counter fraud activity which includes proactive and reactive work
2. Should receive a report from the fraud leads on how resource is being allocated, whether it covers all areas of fraud risk and where those fraud risks are measured
3. Should be aware that the relevant portfolio holder is up to date and understands the activity being undertaken to counter fraud
4. Should support proactive counter fraud activity
5. Should challenge activity, be aware of what counter fraud activity can comprise and link with the various national reviews of public audit and accountability.

The portfolio lead

Receives a regular report that includes information, progress and barriers on:

- The assessment against the FFCL checklist
- Fraud risk assessment and horizon scanning.

Appendix 2

FFCL Checklist

- The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.
- The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community.
- There is an annual report to the audit committee, or equivalent detailed assessment, to compare against FFCL 2020 and this checklist.
- The relevant portfolio holder has been briefed on the fraud risks and mitigation
- The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources
- There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.
- The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.
- The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.
- Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.
- Successful cases of proven fraud/corruption are routinely publicised to raise awareness.
- The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.
- The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:
 - codes of conduct including behaviour for counter fraud, anti-bribery and corruption
 - register of interests
 - register of gifts and hospitality.
- The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended

- in FFCL 2020 to prevent potentially dishonest employees from being appointed.
- Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.
- There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.
- There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.
- Contractors and third parties sign up to the whistleblowing policy and there is evidence of this. There should be no discrimination against whistleblowers.
- Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.
- There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.
- Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.
- Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.
- There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communications team.
- All allegations of fraud and corruption are risk assessed.
- The fraud and corruption response plan covers all areas of counter fraud work:
 - prevention
 - detection
 - investigation
 - sanctions
 - redress.
- The fraud response plan is linked to the audit plan and is communicated to senior management and members.
- Asset recovery and civil recovery are considered in all cases.
- There is a zero tolerance approach to fraud and corruption that is defined and monitored and which is always reported to committee.
- There is a programme of proactive counter fraud work which covers risks identified in assessment.
- The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.

- The local authority shares data across its own departments and between other enforcement agencies.
- Prevention measures and projects are undertaken using data analytics where possible.
- The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools.
- The counter fraud team has access to the FFCL regional network.

There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.

The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.

The counter fraud team has access (through partnership/ other local authorities/or funds to buy in) to specialist staff for:

- surveillance
- computer forensics
- asset recovery
- financial investigations.

Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud-proof systems.

Section 4

The Fighting fraud and Corruption Locally board would like to thank

The Fighting Fraud and Corruption Locally board is:

Charlie Adan – Chief Executive and SOLACE
 Bevis Ingram – LGA
 Andrew Hyatt – Royal Borough of Kensington and Chelsea
 Mike Haley – Cifas and Joint Fraud Taskforce
 Rachael Tiffen – Cifas and secretariat
 Suki Binjal - Lawyers in Local Government
 Colin Sharpe – Leicester City Council
 Clive Palfreyman – LB Hounslow
 Trevor Scott – Wealden District Council
 Alison Morris – MHCLG
 Mark Astley – NAFN
 Paula Clowes – Essex County Council
 Simon Bleckly – Warrington Council
 Karen Murray – Mazars
 Paul Dossett – Grant Thornton
 Marc McAuley – Cipfa

The Board would like to thank Cifas for managing this process, for the delivery of the research and the drafting of this document.

Regional Workshops

Around 260 councils attended workshops organised in the following areas:

East Anglia
SouthWest, Devon, Plymouth, Cornwall and Devon
Kent
London and the South East
Essex
Hertfordshire and Home Counties
Midlands Fraud Group and Chief Internal Auditors and County Networks
North West Fraud Groups
Yorkshire Groups
North East and North Regional Fraud Group

*The Fighting Fraud and Corruption
Locally board wishes to thank:*

Andrea Hobbs
Colin Sharpe
Debbie Dansey
Helen Peters
James Flannery
Jamie Ayling
Jacqui Gooding
David Hill
Max Thomas
Jonathan Dodswell
Hannah Lindup
Shelley Etherton
Gary Taylor
Nick Jennings
Ken Johnson
Mark O'Halloran
Paul Bicknell
Lauren Ashdown
Steven Graham
Matt Drury
Gillian Martin
Sara Essex
Sally Anne Pearcey
Paula Hornsby
Rachel Worsley
Nikki Soave
Francesca Doman
Andrew Reeve
Jason Pengilly
Paul Bradley
Professor Alan Doig
Sean Turley
Neil Masters
Dan Matthews
Scott Reeve
Corinne Gladstone
Louise Baxter
Keith Rosser
Ben Russell
Philip Juhasz
Paddy O'Keefe
Mark Wilkes

Andrew Taylor
Neil Farquharson
Steven Pearse
Lucy Pledge
Sheila Mills
Jamey Hay
Kerrie Wilton
Michael Skidmore
Oliver Day
Carol McDonnell
Nici Frost-Wilson

Special thanks go to:

The researchers and drafters:

Rachael Tiffen – Cifas
Paula Clowes – Essex County Council
Andy Hyatt – Royal Borough of Kensington and Chelsea

**

And all those who attended the workshops, provided feedback, responded to surveys and who took up the actions after the workshops.

Section 5

Glossary and documents

NAFN – National Anti-Fraud Network
CIPFA – Chartered Institute of Public Finance and Accountancy
Cifas – UK's fraud prevention service
NECC – National Economic Crime Centre
NCA – National Crime Agency
MHCLG – Ministry of Housing, Communities and Local Government

ONS: www.ons.gov.uk/peoplepopulationandcommunity/crimeandjustice/bulletins/crimeinenglandandwales/yearendingseptember2019#fraud
www.gov.uk/government/publications/economic-crime-plan-2019-to-2022
National Fraud Authority, Annual Fraud Indicator, March 2013
National Fraud Authority - Good practice publication: www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/
Economic Crime Plan 2019: www.gov.uk/government/publications/economic-crime-plan-2019-to-2022
Eliminating Public Sector Fraud: www.cabinetoffice.gov.uk/sites/default/files/resources/eliminating-public-sector-fraud-final.pdf
Smarter Government: www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/our-work/smarter-government-report
Local Government Association Counter Fraud Hub: www.local.gov.uk/counter-fraud-hub
Veritau: veritau.co.uk/aboutus
SWAP Internal Audit Services: www.swapaudit.co.uk
Devon Audit Partnership: www.devonaudit.gov.uk

Audit Committee

Item No.15

Report title:	Monitoring Officer's Annual Report 2019/20
Date of meeting:	30 July 2020
Responsible Cabinet Member:	Not applicable
Responsible Director:	Director of Governance
Is this a key decision?	No
Executive Summary The Monitoring Officer's Annual Report summarises the internal governance work carried out by the Monitoring Officer and Deputy Monitoring Officer in 2019/20 and provides assurance that the organisation's control environment, in the areas which are the responsibility of the Monitoring Officer, is adequate and effective. The key messages in the Monitoring Officer's report include: <ul style="list-style-type: none">• that there have been no 'reportable incidents' during the period 2019/20;• that the systems of internal control administered by the Monitoring Officer were adequate and effective during 2019/20 for the purposes of the latest regulations;• There was one finding of a breach of the Council's Code of Conduct, by the Standards Committee, in October 2019 Actions required To consider and agree the contents of the report and in particular the key messages in the above Executive Summary and Appendix A section 2.1.	

1. Background and Purpose

- 1.1. The Audit Committee considers matters of Governance in accordance with its terms of reference, which are part of the Council's Constitution. This annual report supports the assurance statements included in the draft Annual Governance Statement for 2019/20 (the "Annual Governance Statement").

2. Proposals

- 2.1. The proposal is shown at the Executive Summary above.

3. Impact of the Proposal

- 3.1. This report supports the Annual Governance Statement which is required by regulations.

4. Evidence and Reasons for Decision

- 4.1. The Monitoring Officer's Annual report appears at **Appendix A**.

5. Alternative Options

- 5.1. There are no alternative options.

6. Financial Implications

- 6.1. There are no specific financial implications to report.

7. Resource Implications

- 7.1. **Staff:**

None

- 7.2. **Property:**

None

- 7.3. **IT:**

None

8. Other Implications

- 8.1. **Legal Implications:**

None

- 8.2. **Human Rights implications**

None

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

None

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

None

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

None

- 8.6. **Any other implications**

None

9. Risk Implications/Assessment

- 9.1. Section 17 Crime and Disorder Act 1998

9.1.1 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 of its work and do all that it reasonably can to prevent crime and disorder in Norfolk.

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

10. Select Committee comments

- 10.1. None

11. Recommendation

11.1. Please see the Executive summary above.

12. Background Papers

12.1. None

Officer Contact

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Monitoring Officer's Annual Report 2019/20

Section Numbers	Contents
1	Introduction
2	Key messages
3	Results of the Monitoring Officer's work in 2019/20
4	Review of effectiveness of systems of Internal Audit
5	Governance Statement
6	Section 17 Crime and Disorder Act
7	Overall opinion on the adequacy and effectiveness of the Governance framework

1. Introduction

- 1.1 The Monitoring Officer's Annual Report summarises the more significant activities of the Monitoring Officer and Deputy Monitoring Officer in 2019/20 and comments on other current issues relevant to the Monitoring Officer's work for the County Council.
- 1.2 Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. It is founded on the fundamental principles of openness, integrity and accountability together with the overarching concept of leadership. In this respect, Norfolk County Council recognises the need for sound corporate governance arrangements and over the years has put in place policies, systems and procedures designed to achieve this. The Council's Code of Corporate Governance has been refreshed in line with CIPFA's latest guidance and was approved by the then Policy and Resources Committee on 26 March 2018. The code has been updated for consequential changes in June 2020. The Code brings together the Council's Governance and Standards in one place and supports the Council's Constitution. The Code is referenced in the Council's Annual Governance Statement, which is published each year and subject to external audit scrutiny.
- 1.3 The Monitoring Officer is appointed under Section 5 of the Local Government and Housing Act 1989 and has a number of statutory functions in addition to those more recently conferred under the Local Government Act 2000 and the Local Government and Public Involvement in Health Act 2007 and subsequent regulations governing local investigations into member conduct. The current standards regime came into effect with the introduction of the Localism Act in 2011 and subsequent implementing regulations that came into force during 2012/13.

2. Key messages

- 2.1 The key messages to note from the year are:
 - There have been no 'reportable incidents' during the period 2019/20.
 - That the systems of internal control administered by the Monitoring Officer and Deputy Monitoring Officer including compliance with the Code of Corporate Governance and the Council's Constitution were adequate and effective during 2019/20 for the purposes of the latest regulations.
 - The Council has arrangements in place to ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.
 - The County Council publishes on its website a summary of Members' declared interests, all the authority's expenditure over £500 and the expenses of Chief Officers.
 - The Council is proactive in raising the standards of ethical conduct among members and staff, including the provision of ethics training and has put in place arrangements for monitoring compliance with standards of conduct across the Council including:
 - Standards of conduct and behaviour for officers

- Code of Conduct for Members
 - Register of Disclosable Pecuniary Interests
 - Register of gifts and hospitality
 - Complaints procedure
- Following the May 2017 elections and subsequent by-elections all Members completed a declaration of Disclosable Pecuniary Interests. These updates were loaded onto the website.
 - Following the May 2017 elections training on the Code of Conduct and registration and declaration of interests was made available to all Members.
 - The Council can demonstrate that generally Members and staff exhibit high standards of personal conduct. During 2019/20 the number of standards complaints was low (as it was in 2018/19) although one hearing of the Standards Committee Hearings Sub-Committee was required. The Committee found the subject member to be in breach of the Code, and recommended additional training, which has been provided.
 - Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and pecuniary interests. There is evidence that members and staff are making appropriate disclosures in the registers.
 - In accordance with the Anti-Fraud, Bribery and Corruption Annual Activity Plan 2017-18 (1 October 2017 - 31 March 2018 Period) approved by the Audit Committee on 21 September 2017, an audit of arrangements for the Declarations of Interest for staff was conducted and reported to the then Council's Leadership Team in May 2018.
 - The audit did not disclose any actual or indication of any wrongdoing. However, sufficient assurance could not be gained that robust processes are in place to ensure that all potential conflicts of interests are declared, recorded and monitored to ensure that NCC can demonstrate openness and transparency about situations where conflicts arise or may have arisen.
 - The audit revealed that some departments had positive and robust processes in place for declaring, recording and monitoring potential conflicts of interest but a more systematic approach to eliciting and monitoring this information is recommended. Consequently, a working group was established by the Deputy Monitoring Officer with representatives from each Directorate and Norfolk Audit Services take forward the recommendations of the audit report, in particular to raise awareness of the NCC Standards of Conduct and Behaviour Policy which requires staff to declare potential conflicts of interest, promote the consistent recording of potential conflicts of interests and the ongoing monitoring of these. The working group has met and a plan of action is ongoing.

- The Audit Committee receives an annual update on the Council's counter fraud and corruption policy applying to all aspects of the Council's business. There are effective arrangements for receiving and acting upon fraud and corruption concerns and disclosures from members of the public.
- The Council has arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct and fraud and corruption.
- The County Council's Anti-Fraud and Corruption Operational Strategy was updated to reflect changes in law and practice and was approved by the Audit Committee in September 2017.
- There is a whistleblowing policy which is publicised and demonstrates the Council's commitment to providing support to whistle-blowers and has been communicated to staff and those parties contracting with the council. The Council can demonstrate its staff, and staff within contracting organisations, have confidence in the whistleblowing arrangements and feel safe to make a disclosure.
- nplaw, the legal service for the County Council, achieved reaccreditation of the Law Society's Lexcel quality standard in April 2019 and has arrangements in place to ensure the quality of the service provided.
- Money laundering requirements as stipulated in the Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002 are fully met.

3. Results of the Monitoring Officer/ Deputy Monitoring Officer's work in 2019/20

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

DUTIES	EXAMPLES
Has regular meetings with each of the previous Managing Director, Head of Paid Service, Executive Director for Finance and Commercial Services and Head of Democratic Services in order to review current and likely future issues with legal, constitutional or ethical implications.	The Council in 2017 indicated a wish to move to an Executive Leader and Cabinet form of governance as soon as possible. A new draft constitution was agreed by the Council's then P&R Committee on 25 March for recommendation to Full Council on 15 April 2019. The Constitution was agreed and the new arrangements agreed at the AGM in May 2019
Maintains good liaison and working relations with the External Auditor.	Key issues for the External Auditor are raised through correspondence and meetings as necessary with the External Auditor and through the Executive Director for Finance and Commercial Services. The External Auditor is notified and contacted if reportable incidents arise.

Ensures that the County Council is kept up to date on new legislation and changes in the law which are relevant to the carrying out of the County Council's activities.	This generally takes the form of reports to Members and briefing notes to Executive Directors but where appropriate will involve training sessions for relevant Members and Officers. These activities are carried out in consultation and conjunction with relevant Executive Directors. A review has been conducted as part of the drafting of the new Constitution and the intent is to further review the Constitution in the months following implementation to ensure the business of the Council is conducted effectively and within the law.
The Monitoring Officer or one of their senior staff is consulted at an early stage on new policy proposals and on matters, which have potentially significant legal implications.	The Monitoring Officer and staff in the Chief Legal Officer's (CLO) department are regularly consulted by Executive Directors on new policy proposals. The Monitoring Officer is a member of the Corporate Board which forms a part of the Member oversight arrangements in the Council. The Monitoring Officer's place on Corporate Board although welcome, it is complementary to the expectations on Executive Directors and the Head of Paid Service to involve the legal function early in decision making on significant projects and new policy proposals to ensure the Council acts lawfully.
All draft reports to the Service Committees are as a matter of routine cleared with the Monitoring Officer or CLO department senior staff.	Significant reports for decision were routinely forwarded to the Monitoring Officer and/or the CLO department senior staff by service departments and were reviewed for their legal and ethical implications.
<p>The Monitoring Officer has been informed of all emerging issues of concern of a legal, ethical or constitutional nature.</p> <p>Similarly, Members have ensured that the Monitoring Officer is routinely informed and consulted in respect of new policy proposals.</p>	<p>Executive Directors are aware that they should consult the Monitoring Officer on legal, ethical or constitutional matters and do so as the issues arise.</p> <p>Members can rely on the fact that significant reports for decision are routinely reviewed by the Monitoring Officer or senior staff in the CLO's department, prior to their presentation at Committees under the current governance arrangements and will continue to be the case under the new arrangements from 7 May 2019.</p>
The Monitoring Officer has sought to resolve any potential illegality by identifying alternative and legitimate means of achieving the objective of the proposal.	The Monitoring Officer, in their capacity as Chief Legal Officer, and the senior staff in the CLO department regularly advise on the legality and/or appropriateness of administrative procedures.

In cases where external lawyers are acting for the County Council, it will be necessary for the relevant Chief Officer and the Monitoring Officer to agree arrangements for ensuring that vires and constitutional issues are satisfactorily addressed.	No exceptions were raised during the period.
In appropriate cases, and to secure the rapid resolution of a potential reportable incident or avoid a separate statutory report, the Monitoring Officer will be entitled to add their written advice to the report of any other County Council Officer.	There have been no such incidents during 2019/20.
Where the Monitoring Officer receives a complaint of a potential reportable incident, they must in appropriate cases seek to resolve the matter amicably, by securing that any illegality or failure of process is rectified. However, it is recognised that the Monitoring Officer may decide that the matter is of such importance that a statutory report is the only appropriate response.	There have been no incidents requiring a statutory report during 2019/20.

4. Review of effectiveness of systems of internal audit

- 4.1 Regulation 7 of the Accounts and Audit Regulations 2015 (as amended in 2020) requires the Council to review annually the effectiveness of its system of internal audit. There is currently no guidance or good practice available for meeting this requirement. Informal advice from CIPFA and discussions with other local authorities provided various options for reviewing the effectiveness of the system of internal audit.
- 4.2 The elements of the Council's systems of internal audit and the assurance on their effectiveness include corporate control functions such as legal services. As endorsed by the Audit Committee on 24 April 2007, the option chosen is for the Audit Committee to review information on the effectiveness of the management processes and corporate control functions (legal, financial, health and safety and human resources services performed) as provided by self-assessment, customer feedback and any existing external performance reviews.
- 4.3 nplaw's work was re-accredited by Lexcel, the Law Society's quality standard for all legal practices, in April 2019 and was commended for some good practice areas.

5. Governance Statement

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

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

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

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

6. Section 17 Crime and Disorder Act 1998

6.1 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.

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

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

- 7.1 That the systems of internal control administered by the Monitoring Officer including the Code of Corporate Governance and the Council's Constitution, were adequate and effective during 2019/20 for the purposes of the latest regulations.

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Audit Committee

Item No 16.

Report title:	Work Programme
Date of meeting:	30 July 2020
Responsible Cabinet Member:	Not applicable
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services
Is this a key decision?	No
<p>Executive Summary</p> <p>The Committee's work fulfils its Terms of Reference as set out in the Council's Constitution and agreed by the Council. The terms of reference fulfil the relevant regulatory requirements of the Council for Accounts and Audit matters, including risk management, internal control and good governance.</p> <p>Recommendations</p> <p>The Audit Committee are asked to consider and agree:</p> <ul style="list-style-type: none"> • the work programme for the Committee • if further information is required • 	

1. Background and Purpose

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

2. Proposals

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

October 2020	
NAS Quarterly Report Quarter ended September 2020	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Annual Statement of Accounts and Annual Governance Statement	Executive Director Adult Social Services
Anti-Fraud and Corruption Strategy and Whistleblowing Update	Director of Governance
Internal Audit Plan for the second half of 2020-21	Executive Director, Finance and Commercial Services
External Auditor Report/Letters of Representation	Executive Director, Finance and Commercial Services

January 2021	
NAS Quarterly Report Quarter ended December 2020	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Strategy and Whistleblowing Update	Director of Governance
Covid-19 Response Update	Executive Director, Finance and Commercial Services
Internal Audit Plan for 2021-22	Executive Director, Finance and Commercial Services

April 2021	
NAS Quarterly Report Quarter ended March 2021	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 and Whistleblowing Update	Director of Governance
Risk Management Annual Report 2020-21	Executive Director of Finance and Commercial Services
Anti-Fraud and Corruption Strategy and Whistleblowing Annual Report 2020-21	Director of Governance
Norfolk Audit Services Annual Report 2020-21	Executive Director of Finance and Commercial Services
Monitoring Officer Annual Report 2020-21	Director of Governance
Review of NAS Terms of Reference, Code of Ethics and Strategy	Executive Director of Finance and Commercial Services
Audit Committee Terms of Reference	Executive Director of Finance and Commercial Services

3. Impact of the Proposal

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

4. Evidence and Reasons for Decision

- 4.1. Not applicable.

5. Alternative Options

- 5.1. There are no alternative options.

6. Financial Implications

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

7. Resource Implications

7.1. Staff:

There are no staff implications.

7.2. Property:

There are no property implications

7.3. IT:

There are no IT implications

8. Other Implications

8.1. Legal Implications:

There are no specific legal implications to consider within this report

8.2. Human Rights implications

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

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

No implications

8.4. Health and Safety implications (where appropriate)

There are no health and safety implications

8.5. Sustainability implications (where appropriate)

There are no sustainability implications

8.6. Any other implications

There are no other implications

9. Risk Implications/Assessment

9.1. Not applicable

10. Select Committee comments

10.1 Not applicable

11. Recommendation

11.1 See Action Required in the Executive Summary above.

12. Background Papers

12.1 None.

Officer Contact

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