

# Audit Committee

Item No 5

<b>Report title:</b>	<b>Norfolk Audit Services Quarterly Report for the Quarter ended 30 June 2016</b>
<b>Date of meeting:</b>	<b>22 September 2016</b>
<b>Responsible Chief Officer:</b>	<b>Executive Director of Finance</b>

## **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.

## **Executive summary**

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

### **Excellence in Education**

- We have used our experience and skills to drive up the standards of financial and risk management in a total of 13 Norfolk schools this quarter; through a mix of:
  - 3 full traded schools audits; and
  - 7 traded school health checks audits

### **Real Jobs**

- No specific audits on this topic in the last quarter

### **Good Infrastructure**

- Carbon Reduction Scheme

### **Supporting Vulnerable People**

- No specific audits on this topic in the last quarter

### **Effective support services**

- Delivering the audit plan for 2016-17 sufficiently in the quarter to support the annual opinion.

### **The Audit Committee is recommended to consider and comment on:**

- the overall opinion on the effectiveness of risk management and internal control being 'Acceptable' and therefore considered 'Sound'
- Satisfactory progress with the traded schools audits and the preparations for an Audit Authority for the France Channel England Interreg Programme

## 1. Proposal (or options)

- 1.1 The proposal is covered in the Executive Summary above.
- 1.2 The County Leadership Team have been consulted in the preparation of this report.

## 2. Evidence

- 2.1 This section covers:

- Work to support the opinion (2.2)
- Other relevant information (2.15)

### 2.2 Work to Support the opinion

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

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

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

- Managing vacancies (Investigative Auditor)
- Training new auditors
- Responses to 15 County Farms Complaints
- Un-planned investigatory work in the quarter
  - One disciplinary hearing completed
  - One investigation and disciplinary hearing completed
- Preliminary assessments of allegations work in the quarter:
  - One allegation relating to an NCC employee – no further action
- Preliminary assessments of allegations work since the last quarter
  - One error investigated
  - One allegation relating to an NCC provider
  - One allegation relating to an NCC employee

- Resulting from the above work the following assignments are in progress:
  - Whistleblowing Policy
  - Fraud Analysis report to the Managing Director.

2.5 A list of final reports for the last quarter is attached as **Appendix A**. The progress with delivering the audit plan is shown in table 1 below.

**Table 1: Final Audit Reports**

<b>Report type</b>	<b>Quarter 1</b>
Final audit reports (Communities and Environment)	3
Final audit reports (Finance)	4
Final audit reports (Resources)	3
<b>Total Audits</b>	<b>10</b>
Traded school full audit	3
Traded School Health Checks	7
Certified Grant Claims	2
Follow-up report	1

2.6 Corporate High Priority Findings identified during audits are followed up. We have received assurance from the relevant Assistant Directors and Managers to confirm satisfactory action has been taken. Details are shown below:

**Table 2 - Corporate High Priority Findings Summary as at September 2016**

Department	Green rated Corporate High Priority Findings	Blue rated Corporate High Priority Findings (action taken and waiting removal)	Total Corporate High Priority Findings
Adult Care	0	0	0
Children's Services	0	0	0
Communities and Environment	0	0	0
Finance	0	3	3
Resources	2	1	3
<b>Total NCC</b>	<b>2</b>	<b>3</b>	<b>6</b>
Schools	0	0	0
<b>Total Corporate High Priority Findings</b>	<b>2</b>	<b>3</b>	<b>6</b>

- 2.7 There has been an increase in the take up of the Traded Schools Audits. As at the date of writing this report 19 schools have requested a traded audit from the start of the 2016/17 financial year.
- 2.8 Our Audit Universe and Audit Needs Assessment continue to be reviewed during each quarter to ensure topics remain relevant and that new topics are considered on a risk assessed basis. Our September 2016 reporting of the revised audit plan for 2016-17 audit topics includes full details of planned coverage, including new topics and those topics removed from the original plan.
- 2.9 Norfolk Audit Services makes every effort to reduce its carbon footprint. More details are described in **Appendix B**, Section 4 (4.2)
- 2.10 Satisfaction Questionnaires are issued with draft reports and grant work performed. We have received positive feedback for the eight responses received in the quarter ended 30 June 2016, as shown at **Appendix B, 5.2.5**. We will continue to stress to clients how important feedback is to us to seek to improve response rates.
- 2.11 The cumulative proportion of time supporting the audit opinion for quarter 1 was 69% in line with the target of 62% over the whole year. See **Appendix B, Section 2 (2.1)** for further detail.
- 2.12 Supporting notes and Technical Details for this report appear at **Appendix B**, for reference only.
- 2.13 **Other relevant information**
- 2.14 National Minimum Wage Audit Work
- a. It was reported to the June Audit Committee that NAS, working closely with the adult social care quality assurance team, carried out a national minimum wage compliance audit of a home care provider earlier in the year. The audit revealed breaches of the regulations in a sample of employees meaning that some care workers were paid less than the applicable national minimum wage rate. An action plan was agreed with the provider and effective remedial steps were taken to avoid any further breaches and to make up the shortfalls in pay.
  - b. It was decided to carry out similar compliance checks involving a further eight home care providers who had won block contracts with the Council at the same time as the provider involved in the original audit. This exercise indicated that breaches of the regulations appeared to have occurred in the sample looked at involving 7 out of the 8 providers. The Head of Quality Assurance and Market Development met with the 7 providers who appeared to have breached the regulations and agreed action plans to ensure that steps were taken to ensure that no further breaches would occur and that any workers who were underpaid were fully recompensed. At the time of writing these action plans are still in the process of being

implemented and written assurances will be required before the plans are formally signed off.

- c. It has also been decided to extend the audit to the home care market as a whole and a self-audit tool has been developed for the purpose. Further work will take place in September to support the market to use the tool to assess the extent if any of problems in the rest of the market. In addition we plan to re audit the original 9 block contract providers to check compliance with the national living wage and test the effectiveness of the remedial steps that were taken following the first round of audits
- d. When the process is completed a detailed report will be provided to the Adult Social Care Committee and the Audit committee will receive a brief synopsis.
- e. As requested, the Chief Internal Auditor circulated some information and clarification on the Council's reporting responsibilities if any breaches were found when carrying out such audits on care providers.

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

2.16 Internal Audit meet periodically with Corporate Programme Office contacts to consider developments, risks and the audit approach.

## **2.17 France (Channel) England (FCE) update**

2.18 The preparations for the France Channel England Interreg Audit Authority are progressing satisfactorily. The first quarter of 2016-17 saw the first meeting of the Consultative Audit Group, through which the UK and French Member States can be consulted on strategic audit decisions for the programme. The programme specific audit strategy for the 2016-2019 period was approved at the meeting.

2.19 The impact of the referendum results are being considered jointly and collaboratively by all three authorities (Managing, Certifying and Audit Authorities) and project level risk registers have been updated. The Managing Authority has taken the lead to engage with HM Government in order to set out the programme risks to DCLG and BEIS and manage the immediate impact of the results on the FCE programme. The MA will be speaking with these departments on a monthly basis. Further information is expected in the Government's Autumn Statement.

## **2.20 External Matters of Note**

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

- [English Devolution Deals \(20 April 2016\)](#)
- [Financial sustainability of local authorities: capital expenditure and resourcing \(15 June 2016\)](#)
- [NAO's role in Local Audit Leaflet \(20 June 2016\)](#)

2.22 There are no other external matters to note this quarter.

### **3. Financial Implications**

- 3.1. The expenditure falls within the parameters of the Annual Budget agreed by the Council.
- 3.2. Norfolk Audit Services has delivered approved savings in 2015-16 by adhering to the planned budget and preparing for ongoing savings as required.
- 3.3. All standard audits are allocated a budget (£) which is formally monitored at draft and final report stages. A target for 2016-17 has been set to deliver 100% of audit work is within budget. At present 80% of audit work is keeping to the original budget (+ 10%). Generally when audit work is over budget it is because the completion of the work, including obtaining agreement to findings and obtaining action plans, has taken longer than originally planned. This is currently being actively managed to ensure all future audit work is kept within budget.
- 3.4. The costs of half yearly audit plans are communicated to the Executive Director of Finance.

### **4. Issues, risks and innovation**

4.1. There are no implications with respect to:

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

### **5. Background**

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

### **Officer Contact**

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

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

**Officer Name:** Adrian Thompson - Chief Internal Auditor

**Tel No:** 01603 222784

**Email address:** [adrian.thompson@norfolk.gov.uk](mailto:adrian.thompson@norfolk.gov.uk)



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### Norfolk Audit Services Final Reports Issued in the Quarter Ended 30 June 2016

There were 13 final reports (including one management letter), 3 full traded school audits completed, 2 grants certified and 7 traded school health checks during the quarter.

#### **Final Reports**

##### **Communities and Environment**

1. Highways Agency Agreement
2. Economic Development - CSA for HIL (Hethel Innovation Limited)
3. Trading standards

##### **Finance**

4. Deferred Payments
5. Accounts Receivable and Accounts Payable - Residential Care
6. Software Licencing, including virtual licences
7. Payroll - follow up of tax issue (management letter)

##### **Resources**

8. Pre Employment Checks
9. HR overpayments
10. Building Works Procurement (non-NPS)

##### **Pensions**

11. Compliance with regulations in setting up Pensions Advisory Board
12. Management of Employers
13. New Custodian

#### **Traded Audits**

##### **Schools (Traded – full audit)**

1. Magdalen Gates Primary School
2. Browick Road Primary School
3. Sprowston Infant School

#### **School Traded Healthchecks**

1. Sidestrand Hall School
2. Great Hockham Primary School and Nursery
3. Forencett St. Peter CE VA Primary School
4. Nelson Infant School
5. Ashill VC Primary School



6. Fakenham Junior School
7. Kinsale Junior School

**Certified Grants**

1. Police & Crime panel (p/e March 2016)
2. EIFCA grant

### Technical Details

#### Notes for section 2

##### 2.1 Productive Time

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

##### 2.2 Investigations Procedure

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

#### Notes for section 4

##### 4.1 Crime and Disorder Act 1998

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

## 4.2 Sustainability

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

## Notes for Section 5

### 5.1 Audit Opinions

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

### 5.2 The difference we are making

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

5.2.5 Feedback received was as follows:

Type of work	Questionnaires issued	Questionnaires received
Standard audit	10	8
Grants	0	0
<b>Analysis of results:</b>		
	<b>Expectations Met*</b>	<b>Disappointed or Very Disappointed</b>
	8	0

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