Norfolk County Council

Audit Committee

Date:	**Thursday 28 January 2016**
Time:	**2pm**
Venue:	**Colman Room, County Hall, Norwich**

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

Membership:

Mr I Mackie – Chairman

Mr B Bremner
Mrs S Gurney
Mr H Humphrey
Mr J Joyce
Mr D Ramsbotham
Mr R Smith – Vice-Chairman

Under the Council's protocol on the use of media equipment at meetings held in public, this meeting may be filmed, recorded or photographed. Anyone who wishes to do so must inform the Chairman and ensure that it is done in a manner clearly visible to anyone present. The wishes of any individual not to be recorded or filmed must be appropriately respected.

A g e n d a

1 **To receive apologies and details of any substitute members attending**

2 **Minutes** Page **5**
To confirm the minutes of the meeting held on 24 September 2015.

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

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

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

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

5 **External Auditor's Annual Audit Letter 2014-15 and Audit Committee Briefings** Page **14**
Report by the Executive Director of Finance

6 **Norfolk County Council's Insurance Cover** Page **56**
Report by the Executive Director of Finance

7 **Norfolk Audit Services Quarterly Report for the Quarter ended 30 September 2015** Page **63**
Report by the Executive Director of Finance

8 **Risk Management Report** Page **72**
Report by the Executive Director of Finance

Chris Walton
Head of Democratic Services
County Hall
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NR1 2DH

Date Agenda Published: 20 January 2016

Norfolk County Council

Audit Committee
Minutes of the Meeting held on Thursday 24 September 2015 at 2pm in the Edwards Room, County Hall, Norwich

Present:

Mr I Mackie (Chairman)
Mr B Bremner
Mrs S Gurney
Mr H Humphrey
Mr J Joyce
Mr D Ramsbotham
Mr R Smith (Vice-Chairman)

Also Present:

Philip King	External Auditor – EY
Rob Murray	External Auditor - EY

1 Apologies for Absence

There were no apologies for absence.

2 Minutes

The minutes of the meeting held on 18 June 2015 were agreed as a correct record and signed by the Chairman.

3 Declaration of Interests

Mrs S Gurney declared an interest in agenda items 5 and 6 as her husband and son were both active paying members of the Norfolk Pension Fund. Mrs Gurney left the room when these items were considered by the Committee and did not take part in the discussion and decisions made.

4 Items of Urgent Business

4.1 As the Chairman had not received a substantial reply to the email he sent to the Chief Internal Auditor on 26 July 2015 about the process for ensuring members of staff who left the employment of Norfolk County Council could no longer access emails and other county council information, the Executive Director of Finance agreed to follow this up.

4.2 The Chairman had received the following question from Mr A Dearnley, on behalf of the Green Group.

"Will the Audit Committee commission an independent investigation and audit of how the recent cost increases on the NDR construction contract were progressed through the Full Council meeting on September 2nd. Whilst one error by officers in the report to Councillors was acknowledged in the meeting, a further error was reported to officers including the Chief Executive before the meeting, but was not investigated further. Taken together, the two errors strongly demonstrate that the report's conclusion that the construction cost inflation was in line with market trends was flawed. As the recommendations were predicated on this conclusion, the recommendations themselves and the advice on which Councillors decided was also seriously flawed. The independent investigation should examine both how the errors were made and sustained through standard checking processes expected for reports to Councillors, particularly one relating to a one-off £10m spending decision, and the constitutional issues around continuing with the debate and decision whilst the second reported error remained investigated by officers."

In response, the Chairman asked that the Committee's concerns about the accounting method presented at the last County Council meeting be fed back to the Executive Director of Community and Environmental Services. The Committee also requested that a contingency plan for capital increases as well as risk management of NDR costs should be considered in greater detail.

4.3 As the report from Ofsted, following the last inspection in July 2015, was still awaited there was nothing to report on this topic.

Mrs S Gurney left the room while items 5 and 6 were discussed by the Committee.

5 Norfolk Pension Fund Governance Arrangements.

5.1 The Committee received the report by the Executive Director of Finance and Head of Pensions outlining the ongoing governance arrangements of the Norfolk Pension Fund.

5.2 The Committee was requested to consider the report, detailing Norfolk Pension Fund's governance arrangements, being fully compliant with legislative requirements, regulatory guidance and recognised best practice.

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

5.3.1 The fund compliant checklist had been verified by both the Internal Auditors and the External Auditors before being presented to the Pensions Committee for final approval.

5.3.2 There were no financial implications for the governance arrangements as all expenditure fell within the parameters of the Annual Budget agreed by the Pensions Committee.

5.3.3 The first meeting of the Pensions Oversight Board, which comprised of employer, union and scheme member representatives, had been held in July 2015 and to date no issues had been raised that the Audit committee needed to be made aware of.

5.3.4 In order that Parish Councils received sufficient information to allow them to make a decision about Parish Clerks joining the Norfolk Pension Fund, the Committee noted that topical newsletters were distributed and employer forums held throughout the year, which a number of Parish Councils had attended.

Officers from the Pension Fund regularly attended meetings with Parish Councils to discuss membership of the scheme. Parish Councils were advised to seek independent financial advice before making any decision about joining the scheme.

5.4 The Committee **noted** the report which detailed Norfolk Pension Fund's governance arrangements being fully compliant with legislative requirements, regulatory guidance and recognised best practice.

6 Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2015.

6.1 The Committee received the report by the Executive Director of Finance introducing the External Auditor's (Ernst and Young) Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2015.

6.2 The report was introduced by Mr R Murray, from External Auditors EY who drew the committee's attention to the Value for Money (VfM) arrangements which were currently being finalised and advised that he was confident an unqualified opinion would be given once the VfM audit had been completed.

6.3 The External Auditors placed on record their thanks to the Norfolk County Council Finance Team for their assistance in producing the accounts and in assisting the External Auditors.

6.4 During the discussion, the following points were noted:

6.4.1 The external auditors for Norse (Grant Thornton) would have raised any significant concerns if any had been identified.

6.4.2 At present Norfolk County Council did not appoint its own External Auditors. EY had been appointed External Auditors in 2012 and a decision was still awaited about any extension to the existing contract.

6.4.3 Although the reserves were marginally below the average level the County Council had run at for a number of years, the Executive Director of Finance confirmed he had no concerns about the level of reserves currently held.

6.4.4 The Statement of Accounts for the Pension Fund was expected to receive an unqualified opinion from the External Auditors and Members noted that the report had been considered by the Pensions Committee at its meeting on 8 September.

6.5 The Committee and the Executive Director of Finance placed on record their thanks to the External Auditors EY for their efforts and assistance in achieving an unqualified opinion on the accounts. The NCC finance teams and the Pension Fund accounting staff were also thanked for their work.

6.6 The Committee considered and **agreed** the Ernst and Young Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2015.

Mrs S Gurney re-joined the meeting.

7 Annual Statement of Accounts and Annual Governance Statement 2014-15

7.1 The Committee received the report by the Executive Director of Finance introducing the Statement of Accounts and Annual Governance Statement of Norfolk County Council for 2014-15 which had been subject to external audit by Ernst and Young. The Executive Director of Finance anticipated that Norfolk County Council would receive an unqualified audit opinion.

7.2 The following key points were noted during the discussion:

7.2.1 The Committee was pleased to note that the Public Services Network (PSN) Accreditation had been achieved on 8 September 2015 and the Annual Governance Statement 2014-15 would be amended to reflect the accreditation before it was signed off.

7.2.2 No issues or concerns had been identified in this year's accounts about contingent liability. All Chief Officers had been asked to identify if they were aware of any matters of concern, such as pending law suits, and no areas of concern had been identified.

7.2.3 The Statement of Accounts would be published as soon as possible, the deadline being 30 September 2015, once they had been approved by the Committee and had received final sign-off from the External Auditors.

7.2.4 There had been a few minor amendments to the Statement of Accounts 2014-15 since the Committee report had been published and these amendments are attached at Appendix A to these minutes. The changes will be incorporated into the final accounts and published on the website.

7.3 **RESOLVED to**

- Note that, following annual review, the system of internal control and internal audit are considered adequate and effective for the purposes of the relevant regulations;
- Approve the Annual Governance Statement (Appendix 2) and commend the final statement for signature by the Leader and the Managing Director;
- Approve the Council's 2014-15 Statement of Accounts (Appendix 3);
- Note the Summary of the Statement of Accounts (Appendix 4) to be published alongside the full accounts.

8 Letters of Representation 2014-15

8.1 The Committee received the report by the Executive Director of Finance providing details of the letters of representation in connection with the audit of the financial statements of Norfolk County Council for 2014-15.

8.2 **RESOLVED** to

Endorse the letters of representation in respect of the Pension Fund and of Norfolk County Council. The Chairman of the Audit Committee and Executive Director of Finance signed the letter on behalf of Norfolk County Council.

9 Norfolk Audit Services Quarterly Report for the Quarter ended 30 June 2015.

9.1 The Committee received the report by the Executive Director of Finance. The Committee was asked to consider and comment on the overall opinion on the effectiveness of risk management and internal control being 'acceptable' and therefore considered 'sound'; the progress with the anti-fraud e-learning roll-out; the changes to the approved 2015-16 Norfolk Audit Services audit plan as set out in Appendix B of the report; satisfactory progress with the traded schools audits and the preparations for an Audit Authority for the France Channel England Interreg Programme.

9.2 The following points were noted during the discussion:

9.2.1 The Committee again raised concern about the amount of time it was taking for effecting its request to make it a mandatory requirement that all staff undertake the Fraud Awareness e-learning course and asked for a further update at its next meeting. The Executive Director of Finance agreed to follow up the reasons why the training hadn't been made mandatory and to bring an update report to the next meeting.

9.2.2 The Committee suggested that the Anti-Fraud e-learning should be made available to Chairs of Governors at schools to assist them and protect them from potential fraud and to help them identify any possible areas of concern.

9.2.3 Although there had been a slow take up of the Traded Schools Audits, reminder letters would be sent out to non-participating schools, asking them to identify who was carrying out their audits if they were not using Norfolk Audit Services.

9.2.4 The Chief Internal Auditor would let Mr Bremner have some additional information about Mile Cross Primary School compliance.

9.2.5 The Government had yet to designate Norfolk County Council as the Audit Authority for the France Channel England Interreg Programme.

9.3 **RESOLVED** to **note**

- the overall opinion on the effectiveness of risk management and internal control being 'acceptable' and therefore considered 'sound'.
- The progress with the Anti-Fraud eLearning roll-out.
- The changes to the approved 2015-16 Norfolk Audit Services audit plan, as set out in Appendix B of the report.
- The satisfactory progress with the traded schools audits and the preparations for an Audit Authority for the France Channel England Interreg Programme.

10 Internal Audit Plan 2015-16 for Quarters 3 and 4.

10.1 The Committee received the report by the Executive Director of Finance setting out the Internal Audit Plan 2015-16.

10.2 During the presentation of the report, it was noted that the impact of vacancies referred to in the Executive Summary of the report should read 345 days lost and not as stated.

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

10.3.1 The Executive Director of Finance confirmed that, as the Section 151 Officer, he was confident the Chief Internal Auditor had a sufficient level of resource available to allow him to carry out the internal audit function.

10.3.2 The Chairman said that the County Farms Advisory Board oversaw the governance arrangements for County Farms to ensure these were robust. He confirmed that a Corporate Governance Audit would be undertaken.

10.4 The Committee **RESOLVED** to note:

- the revised Internal Audit Strategy (Appendix A) for the remainder of the year (646 days).
- The Internal Audit Plan to support the opinion for quarters 3 and 4 (Appendix B) at 383 days (including 80 days in reserve for Traded Schools Audits and up to 100 days of contractor time).
- The overall the target for final report and draft reports for audits are 34 and 12 respectively, to be reported on in the Annual Internal Audit Report.
- The three year Internal Audit Strategy agreed in January remained largely unchanged, except for the deletion of an Internal Audit Manager post.
- The actual days available to deliver the audit opinion work within the strategy (Appendix A) remain sufficient to support the opinion.
- The opinion work plan (Appendix B) will be managed flexibly to support the traded schools approach, while the service was developed and bookings stabilised.
- Some audits timed for Quarters 1 and 2 are carried into the remainder of the year as work in progress.
- The medium term internal audit strategy will be refreshed in January 2016.

11 Governance, Control and Risk Management of Treasury Management

11.1 The Committee received the report by the Executive Director of Finance, concluding that the County Council's Treasury Management operations were fully compliant with the statutory and regulatory framework and recognised best practice.

11.2 The Committee considered the report, during which the following points were noted:

11.2.1 The next meeting of the Treasury Management Panel would take place on 10 November 2015.

11.2.2 The change of bank from the Co-Operative Bank to Barclays Bank had been a very smooth transition and the Committee congratulated the Chief Investment Manager and his team for coordinating the move.

11.2.3 The Committee was reassured that the Treasury Management team monitored credit ratings and market intelligence on a daily basis, with external advisors providing information and decisions were made on the information available at the time. Regular meetings were held with the Relationship Team from Barclays.

11.2.5 The Chief Investment Manager confirmed that there were **no** equality implications arising from the report.

11.3 The Committee **RESOLVED** to note the report which provided assurance to the Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management.

12 Risk Management Report

12.1 The Committee received the report by the Executive Director of Finance providing the Committee with an update of the Corporate Risk Register at September 2015 and other related matters following the latest review conducted during the early part of 2015-16.

12.2 The following points were noted during the discussion:

12.2.1 The Committee requested some further information about the levels of Norfolk County Council insurance cover.

12.2.2 With regard to risk RM005 (The potential risk of failure to fully implement Digital Norfolk Ambition (DNA), the Committee requested that the Project Manager for DNA be requested to attend the next meeting to provide an update on the project. The Committee noted that a Member Working group had been convened by the Policy & Resources Committee to consider all aspects of DNA. The Executive Director of Finance agreed to circulate information about the project plan and the risks to Members of the committee.

12.2.3 With regard to the Northern Distribution Route (NDR) the Committee requested that the Chairman of the Environment, Development and Transport Committee be asked to consider placing the risks surrounding the building of the NDR on the agenda for its next meeting.

12.2.4 The Committee requested that the risks included in the heat map at Appendix D of the report be shown as spots, colour referenced for the prospect target rating (red, amber or green) and also include arrows to show whether the risks were increasing or decreasing.

12.2.5 All Service Committees received risk reports as part of their Performance Monitoring Reports and included those departmental risks which had a combined score of 12 or above. The next report was due to be presented to Committees at their meetings in October 2015.

12.2.6 The Committee **agreed** that it required all Service Committees to review departmental risk registers on a quarterly basis.

12.3 **RESOLVED** to note:

- that risk management was now managed by the Chief Internal Auditor.

- that a Risk Management Strategy 2015-18 was being prepared and a Strategic Risk Manager was being sought.
- the changes to the Corporate Risk Register (Appendix A of the report).
- the 13 corporate risks identified and the progress with the mitigating risks.

13 Work Programme

13.1 The Committee received and noted the report by the Executive Director of Finance setting out the programme of work for the Committee.

14 Date of next meeting

14.1 The next meeting will take place at 2pm on Thursday 28 January 2016 in the Colman Room.

The meeting ended at 4.10pm.

CHAIRMAN

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Appendix A

Norfolk County Council
Statement of Accounts 2014-15

Changes since Audit Committee papers circulated

Page	Subject	Change
15	Statement of Responsibilities	To align with the date that the audit report will be signed, the dates of signature have been amended to 30 September.
91	Relationships with Other Entities	Legislator companies summary table removed. Table was for information only and 2014-15 accounts are not yet available.
108	Group accounts Financial Instruments Borrowings	The "Principal amount" and "Total included in Borrowings" figures have been corrected. This was an adjustment of £5.060m which had not been properly reflected in this note. The change does not affect any other figure in the accounts.
110	Pension Fund auditors report	The auditor's opinion on the pension fund financial statements has been inserted.

Audit Committee

Item No 5

Report title:	**External Auditor's Annual Audit Letter 2014-15 and Audit Committee Briefings**
Date of meeting:	**28 January 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

The Audit Committee consider the work of the Council's External Auditors in accordance with their terms of reference, which are part of the Council's Constitution, part 4.1 (4.4). (page 11) 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 Annual Audit Letter 2014-15, which is attached as **Appendix A**. This letter is one of certain communications that EY must provide to the Audit Committee of the audited client (at page 13 of their plan). The Pensions Committee will receive a separate letter for their approval. There are no adverse matters in the letter to report.

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

Our External Auditors publish Local Government Audit Committee Briefings and the Summer 2015, Autumn 2015 and Spring 2016 briefings are attached as **Appendicies B, C and D**

Members are recommended to consider:

- **the External Auditor's Audit Letter 2014-15**
- **the key messages in the briefings**

1. Introduction

This Annual Audit letter (Appendix A) is one of certain communications that EY must provide to the Audit Committee of the audited client (at page 13 of their plan). This letter complements the External Auditor's Annual Results Report for 2014-15 reported to this Committee on 24 September 2015.

2. Evidence

The External Auditor's Annual Audit Letter for 2014-15 is attached as **Appendix A** to this report.
Briefing notes for the Committee are attached at **Appendices B and C**.

3. Financial Implications

There are no specific financial implications.

4. Issues, risks and innovation

Risk implications

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

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

Entity	Auditor
Norfolk County Council	**EY**
Norfolk Pension Fund	EY
Norse Group	Grant Thornton
Norfolk Joint Museums Committee	EY
Norfolk Records Committee	Mazars (Small Bodies Appointed Auditor)
Independence Matters	EY
Hethel Innovation Limited	*Small Companies Exemption from Audit –*
Great Yarmouth Development Co. Ltd	*Companies Act 2006 (part 476 and 477)*
Norfolk Energy Futures Ltd	

Officer Contact

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

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Appendix A

External Auditor's Annual Letter

2014-15

Norfolk County Council

Annual Audit Letter for the year ended 31 March 2015

19 October 2015

Ernst & Young LLP

EY

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19 October 2015

Dear Members

Annual Audit Letter 2014/15

The purpose of this annual audit letter is to communicate the key issues arising from our work to the Members and external stakeholders, including members of the public.

We have already reported the detailed findings from our audit work in our 2014/15 Annual Results Report presented to the Audit Committee on 24 September 2015, representing those charged with governance. We do not repeat those findings here.

The matters reported here are those we consider most significant for Norfolk County Council.

We would like to take this opportunity to thank officers for their assistance during the course of our work.

Yours faithfully

Rob Murray
Director
For and on behalf of Ernst & Young LLP
Enc.

Contents

1. Executive summary

Our 2014-15 audit work was undertaken in accordance with our Audit Plan issued on 23 April 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements, and on the consistency of other information published with them
- reviewing and reporting by exception on the Council's AGS
- forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statement of Norfolk County Council for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland)	On 30 September 2015 we issued an unqualified audit opinion on the Council's financial statements
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources	On 30 September 2015 we issued an unqualified value for money conclusion
Report to the National Audit Office on the accuracy of the consolidation pack the Council needs to prepare for the Whole of Government Accounts	We reported the findings of our work on the accuracy of the consolidation pack to the National Audit Office on 30 September 2015
Consider the completeness of disclosures on the Council's AGS, identify any inconsistencies with other information which we know about from our work and consider whether it complies with CIPFA/ SOLACE guidance	No issues to report
Consider whether we should make a report in the public interest on any matter coming to our notice in the course of the audit	No issues to report
Determine whether we need to take any other action in relation to our responsibilities under the Audit Commission Act	No issues to report

As a result of the above we have also:	
Issued a report to those charged with governance of the Council communicating the significant findings from our audit.	Our Audit Results Report was presented to the Audit Committee on 24 September 2015.
Issued a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	We issued our certificate on 30 September 2015.

2. Key findings

2.1 Financial statement audit

The Council's Statement of Accounts is an important tool to show both how the Council has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on 30 September 2015.

Our detailed findings were reported the Audit Committee on 24 September 2015.

In our view, the quality of the process for producing the accounts, including the supporting working papers remains strong. Our audit identified a limited number of misstatements and presentational improvements which our team highlighted to management for amendment. All of these were corrected during the course of our work.

The main issues identified as part of our audit were:

Significant risk 1: Consideration of the risk of fraud

ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud. This includes consideration of the risk that management may override controls in order to manipulate the financial statements.

Our audit procedures and testing of journals and estimates did not identify any material misstatements, evidence of management bias or significant unusual transactions.

Significant risk 2: Accounting for schools

Accounting for schools has been a key issue over previous years. This has focused on the accounting treatment of assets held by locally maintained schools and whether these assets are controlled by the local authority and therefore on the Balance Sheet. This control assessment has focused on the five main categories of schools, community, voluntary controlled (VC), voluntary aided (VA), foundations and academies. During 2014/15, guidance has been issued in this area, specifically an update to the Code and LAAP Bulletin 101; Accounting for Non-Current Assets Used by Local Authority Maintained Schools. The updated guidance considers further the impact of ownership on the control assessment; specifically the fact that VC, VA and a number of foundation schools may be owned by religious bodies.

The Council considered in detail the new guidance contained in the Code and LAAP Bulletin 101; Accounting for Non-Current Assets Used by Local Authority Maintained Schools , and concluded that the accounting treatment of schools within the Council's accounts remains unchanged from previous periods. We concurred with this judgement.

Significant risk 3: Pension Valuations and disclosures

The Local Authority Accounting Code of Practice and International Accounting Standard (IAS) 19 require the Authority 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 highly material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.

Our audit procedures and testing of IAS 19 accounting entries and estimates did not identify any issues that required reporting.

Significant risk 4: Norse Group Ltd

Norse Group Ltd is a significant component company within the Norfolk County Council group. Norse Group Ltd is significant to the group based on both its size and other risk factors; specifically that it has a non-coterminous year end. As in previous years, we liaised with Grant Thornton LLP, the external auditors of the Norse Group, issuing them with instructions that detailed the required audit procedures that we required them to undertake on the consolidation schedules prepared by Norse.

Audit procedures concluded that the consolidation schedule preparation procedures implemented by Norse had been strengthened during the year and there were no issues to report.

Other financial statement risk 1: Assessment of the Norfolk County Council group boundary

IFRS 10: Consolidated Financial Statements and IFRS 11: Joint Arrangements were adopted into the Local Authority Accounting Code of Practice for the first time in 2014/15. These new accounting standards introduced a number of changes to the classification and accounting requirements for potential group entities. The Council were therefore required to revisit its assessment of the group boundary in the light of these new standards, specifically focusing on arrangements it has entered with other entities regarding service delivery.

The Council concluded that following an assessment under IFRS 10 and 11, those entities within the Norfolk County Council group boundary remain unchanged from previous periods. We concurred with this judgement.

Other financial statement risk 2: Valuation of property, plant and equipment

Property, plant and equipment represent a significant balance in the Council's accounts and this is an area which involves judgemental inputs and estimates. The most significant accounting judgement and estimate that the Council forms in this area relates to the valuation of property, plant and equipment. In order to address this accounting risk the Council employs a valuation expert; Norfolk Property Services.

Our audit procedures considered the revaluations made in year; the basis of valuation of significant assets; any significant changes in use of assets to ensure the valuation basis remained appropriate; and the valuation expertise used by the Council. Our audit procedures did not identify any issues that required reporting.

Other financial statement risk 3: Academies

Schools have continued to convert to academy status during 2014/15. This has implications for the treatment of the schools' property, plant and equipment, debtors, creditors, cash, balances and income (including dedicated schools grant) and expenditure within the Council's accounts. The conversion to academy status presents a risk that these schools' transactions and balances may be either incorrectly included or omitted.

Our audit procedures did not identify any issues that required reporting.

2.2 Value for money conclusion

As part of our work we must also conclude whether the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014/15 value for money conclusion was based on two criteria. We consider whether the Council had proper arrangements in place for:

- securing financial resilience, and
- challenging how it secures economy, efficiency and effectiveness.

During our audit planning procedures we identified one significant risk in relation to the financial resilience criteria. The Council has continued to respond to the financial challenges it is facing. The complexity and scale of that challenge is increasing over the next three to four years due to declining Central Government funding and continued pressures from inflation, demographics and the impact of new legislation. As a result of these pressures the Council currently had unfunded budget gaps in its medium term financial strategy (MTFS) of £42m in 2016/17 and £43.7m in 2017/18.

The Council has continued to take proactive steps to identify savings and income generating opportunities and senior managers are confident that they are making good progress towards identifying ways in which the gap in 2016/17 can be met. The Council continues to develop its plans to deal with these pressures.

The Council has a strong track record of delivering its budget and planned savings in recent years enabling it to freeze Council Tax for the last 5 years. As an example, the 2014/15 budget included around £69 million of savings and efficiencies, which were successfully delivered. This resulted in a reported spend on services which was £1.8 million less than budget.

We issued an unqualified value for money conclusion on 30 September 2015.

2.3 Whole of Government Accounts

We performed the procedures required by the National Audit Office and reported the findings of our work on the accuracy of the consolidation pack to the National Audit Office on 30 September 2015. There were no issues to report.

2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's AGS, identify any inconsistencies with the other information which we know about from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

2.5 Objections received

We did not receive any objections to the 2014/15 financial statements from members of the public.

2.6 Other powers and duties

We did not identify any issues during our audit that required us to use powers under the Audit Commission Ac 1998, including reporting in the public interest.

2.7 Independence

We communicated our assessment of independence to the Audit Committee on 24 September 2015. In our professional judgement the firm is independent and the objectivity of the audit engagement lead and audit staff has not been compromised within the meaning of regulatory and professional requirements

3. Control themes and observations

As part of our work, we obtained enough understanding of internal control to plan our audit and determine the nature, timing and extent of testing performed. We have tested the controls of the Council only to the extent necessary for us to complete our audit.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to tell the Council about any significant deficiencies in internal control we find during our audit.

We did not identify any significant deficiencies in the design of an internal control that might result in a material misstatement in the Council's financial statements.

4. Looking Ahead

There are a number of changes in accounting and auditing requirements that could have a significant impact on the Council's arrangements for the production of its financial statements. We have outlined what we think are three of the main challenges below.

Description	Impact
Highways Network Asset (formerly Transport Infrastructure Assets): The Invitation to Comment on the Code of Accounting Practice for 2016/17 (ITC) sets out the requirements to account for Highways Network Asset under Depreciated Replacement Cost from the existing Depreciated Historic Cost. This is to be effective from 1 April 2016. This will be a material change of accounting policy for the Council. It will also require changes to existing asset management systems and valuation procedures. Nationally, latest estimates are that this will add £1,100 billion to the net worth of authorities.	CIPFA have produced *LAAP bulletin 100*, which provides a suggested timetable for actions to prepare for this change. This has been supplemented by the issue of the *Code of Practice on Transport Infrastructure Guidance Notes (May 2015)* and *ITC (July 2015)*. The Council will need to consider: • How it can demonstrate completeness of base information, through working closely with highways and other relevant departments; and • How it can ensure that valuation information is appropriate to the Council, and that national valuation indicators are not used without consideration of their appropriateness locally.
Better Care Fund The Better Care Fund (BCF) is a major policy initiative between local authorities, clinical commissioning groups (CCGs) and NHS providers with a primary aim of driving closer integration and improving outcomes for patients, service users and carers. From the 1 April 2015 BCF has been set up as pooled budget between local government and NHS partners using powers available under pre-existing legislation. The partners use the pooled fund to jointly commission or deliver health and social care services at a local level. Although local authorities, CCGs and NHS providers have experience of pooled budgets and established joint commissioning arrangements, pooled arrangements under BCF are likely to be on a much larger scale. Nationally the fund is comprised of a number of existing funding streams and will involve a minimum NHS spend of £3.8 billion together with other grant funding streams historically administered by local authorities. The detailed form of local pooled arrangements is not prescribed and has needed to be agreed between the partners.	Local BCF arrangements may be complex and varied, involving a number of different commissioning, governance and accounting arrangements that raise risks of misunderstanding, inconsistencies and confusion between the partners. There are also structural, cultural and regulatory differences between local government and the NHS, and it is important that these are understood and considered by all of the partners in the operation of the pool. In October 2014 HFMA/CIPFA produced "Pooled Budgets and the Better Care Fund" which provides more detailed guidance on the governance and finance issues underpinning the operation of a pooled budget and the associated risks and challenges faced by local government and NHS partners. The Council will need to ensure that robust governance and accounting arrangements have been implemented regarding BCF.

Description	Impact
Earlier deadline for production and audit of the financial statements from 2017/18 The Accounts and Audit Regulations Accounts and Audit Regulations 2015 were laid before Parliament in February 2015. A key change in the regulations is that from the 2017/18 financial year the timetable for the preparation and approval of accounts will be brought forward. As a result, the Council will need to produce draft accounts by 31 May and these accounts will need to be audited by 31 July.	These changes provide challenges for both the preparers and the auditors of the financial statements. The Council is aware of this challenge and the need to start planning for the impact of these changes. This will necessarily include review of the processes for the production and audit of the accounts, including areas such as the production of estimates, particularly in relation to pensions and the valuation of assets, and the year-end closure processes.

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Appendix B

EY Local Government Audit Committee Briefing

Summer 2015

Local government audit committee briefing

Contents at a glance

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

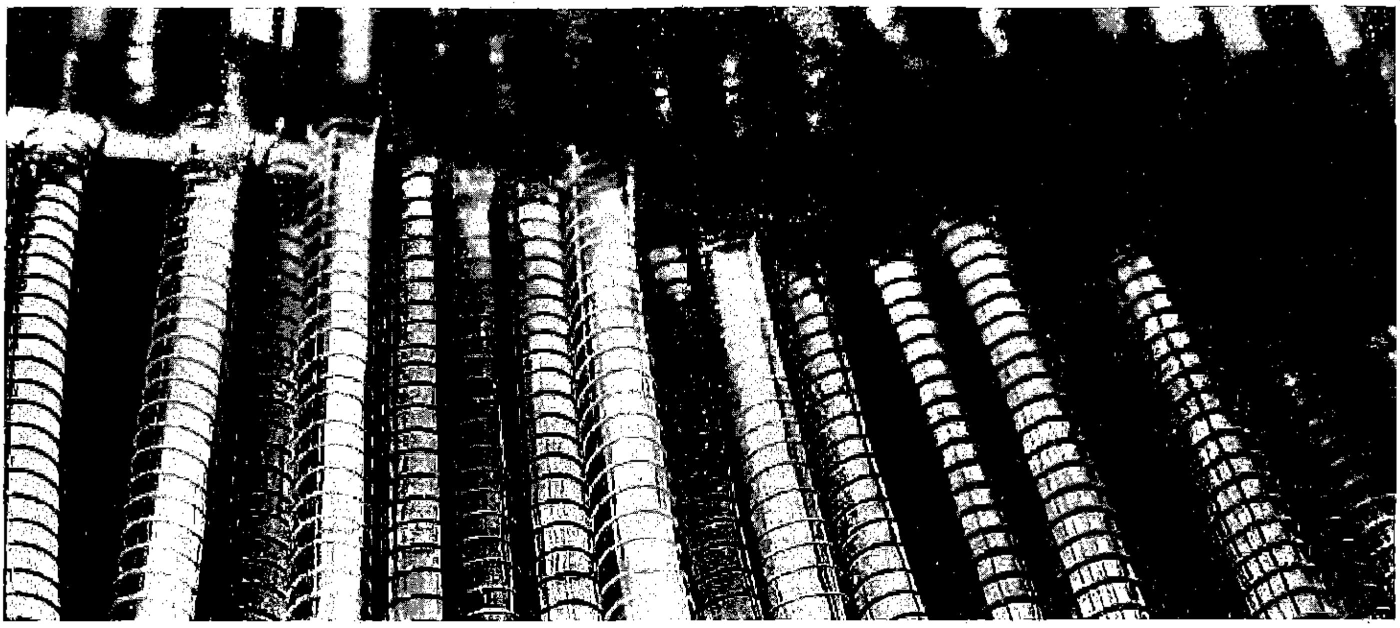
It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business.

This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.

EY

Building a better working world



Government and economic news

EY item club summer 2015 forecast

In its latest forecast, the EY Item Club highlights the continuing impact on the UK economy of world events, with those in Greece and China being of particular concern. Despite this, domestic demand remains buoyant and activity has increased since winter. They forecast GDP growth of 2.7% for this year and next, and inflation, as measured by CPI, well below target.

The latest data shows consumer expenditure remaining strong, and set to continue into next year, with the strong pound and weak commodity prices keeping inflation low. With manufacturing 'stuck in the slow lane', the economy is seen to be becoming increasingly unbalanced. The forecast goes on to predict that interest rates are unlikely to move above 3% until 2019.

Commenting on the Summer Budget, the Club sees the new surplus target as very challenging, meaning a significant increase in household taxes and a massive squeeze on welfare payments. It comments that, if the public sector is to move from heavy deficit into surplus, the private and overseas sectors must move in the opposite direction. As it sees households as being reluctant to move further into deficit, it will be up to companies to increase investment and exports to make the Budget strategy work. Alternatively, to swing the balance of payments and government accounts back into surplus, growth and imports will have to slow down.

National living wage

In the recent Budget the Chancellor announced that, from April 2016 workers aged over 25 will be entitled to a National Living Wage significantly higher than the current minimum wage of £6.50 which applies to those aged over 21. Those entitled to the 'living wage', will get £7.20 and that will rise to at least £9 an hour by 2020. This is expected to boost the income of approximately six million workers, covering all full and part-time workers, and those in public and private sectors. Whilst the government announced changes in corporation and employment taxes which it said would offset the additional costs to employers, the former will not apply in the public sector, and many comments have been made about the significant impact on employers from bodies such as the Local Government Association and the UK Homecare Association. The EY Item Club (in its Summer Forecast) commented that **"The Chancellor has effectively passed the prime responsibility for supporting low income working people over to employers and this poses a clear risk to hours and employment".**

All bodies will need to carefully consider the impact of the changes on their finances in the short and medium term. The impact is not liable to be limited to the additional employment costs of those employees currently on the minimum wage, but include:

- Employment costs relating to employees currently earning above minimum wage but below the National Living Wage
- Pressure on supplier contract prices arising from their increased costs (particularly in relatively low paid sectors such as care)

Whilst the increase is to be phased over a number of years, there will be a potential impact from 2015/16.

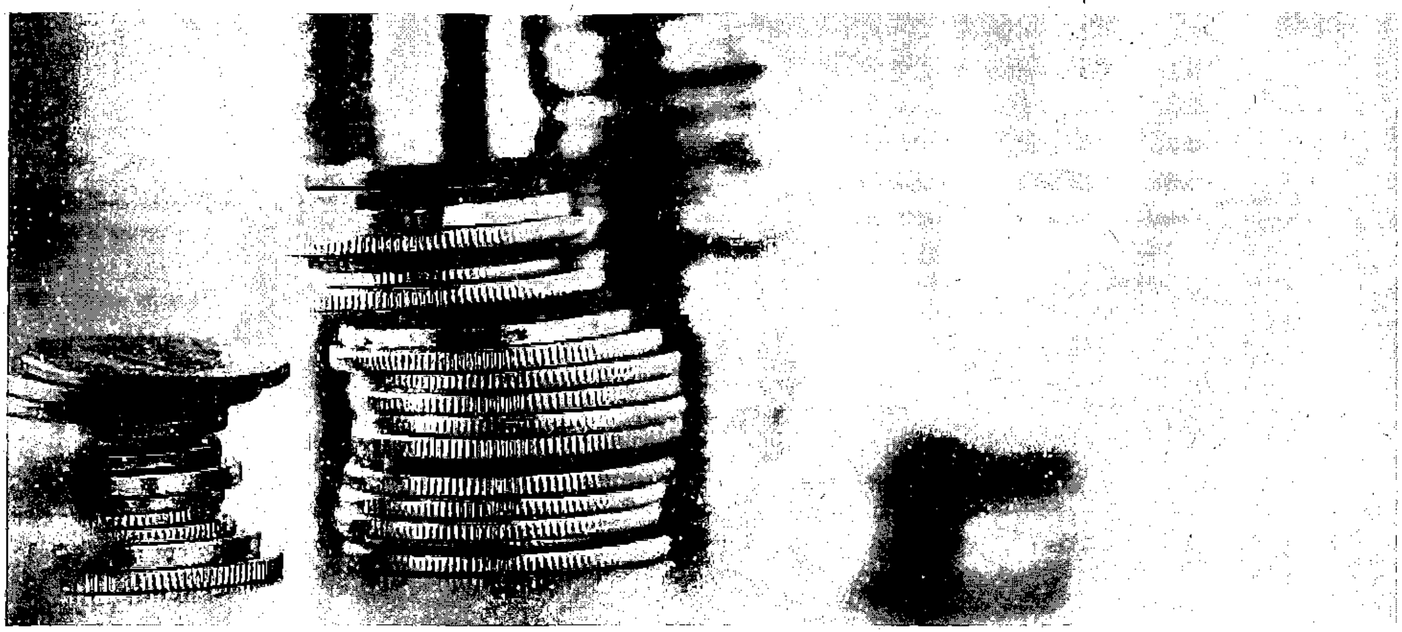
Creating a better care system

A new report by EY, commissioned by the Local Government Association, suggests the development of a new sustainable health and social care system, backed by establishment of a £1.3 billion a year transformation fund until 2019/20. It states that the fund should focus on keeping people independent and preventing complex and long-term conditions, and should be supported by:

- A pooled health and social care budget
- Devolved powers for health
- Reformed incentives

It outlines four key areas of focus as follows:

- **Put people in control** – including expanding integrated personal commissioning across health and care, increasing the number of personal health and care budgets by 250,000 in the next five years
- **Integrate and devolve commissioning powers** – including greater local control and freedom over pooled budgets to better respond to local needs and outcomes and allow local innovation
- **Fund services adequately and in an aligned way** – including aligning social care and health funding settlements over a five year period
- **Free the system from national constraints** – including replacing the tariff in the NHS with capitated accounting and payment mechanisms



Accounting, auditing and governance

The 2016/17 code of practice on local authority accounting in the United Kingdom: Invitation to Comment (ITC)

Each year CIPFA issue various Invitations to Comment (ITCs), setting out the proposed changes to the Code of Practice (the Code) for the following financial year and requests responses to the specific proposals. This year the ITC also requests comments on standards that are not expected to lead to changes within the Code until later years The ITC this year has a closing date for responses of 9 October 2015.

The main changes proposed in the ITC are set out below:

Highways network asset

This proposal introduces the requirements for the measurement of this asset at Depreciated Replacement Cost (DRC) from 2016/17 onwards. In the ITC, CIPFA/LASAAC proposes, for the first time, that the separately identified items in the Transport Infrastructure Assets Code are classed as one asset for financial reporting purposes. It is proposed that Highways Network Asset is a separate class of asset and will be shown separately in the balance sheet.

This change is fully retrospective and will require:

- A third balance sheet as at 1 April 2014
- Fully restated comparatives for 2015/16

The ITC also confirms that an annual condition survey will be required.

As outlined in the June 2015 Audit Committee Briefing, this change will have major implications for highway authorities and non-highway authorities who have material transport infrastructure assets. We have already run a number of successful workshops for accountants and engineers at highway authorities during the summer to discuss how this fundamental change will impact on the accounts closedown and audit. As a result we will be running additional separate events for highway and non-highway authorities going forward.

Review of accounting and reporting by pension funds

This review coincides with the publication of Financial Reports of Pension Schemes: A Statement of Recommended Practice (2015). The ITC:

- Proposes minor changes to the Fund Account and to the Net Assets Statement to improve presentation and mirror the updated SORP
- Adapts the reporting requirements of IFRS 13 to include fair value disclosure requirements for pension fund investments in the 2016/17 Code
- Recognises that under IAS 26, three options as to how to disclose the actuarial present value of promised retirement benefits are allowed and seeks views on the option to use
- Sets out a new recommended disclosure for transaction costs

Narrow scope amendments

These are amendments to International Financial Reporting Standards (IFRS), largely around clarification of individual standards.

The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 (English Authorities)

The ITC updates the specific references within the Code to reflect these legislative changes. In addition it:

- Considers that a full interpretation of section 3.1 of the Code will fully meet the requirements to produce a Narrative Report
- Highlights the additional guidance provided to enable the requirement that the Narrative Report **"must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year"**

Telling the story: consultation on improving the presentation of local authority financial statements

The financial statements are a vital part of the accountability framework of local authorities. CIPFA/LASAAC considers it vital that the user can relate the information contained within the financial statements to the funding the local authority receives and the promises made about how money will be spent.

Over the past couple of years CIPFA/LASAAC has been developing an approach to both streamline the financial statements and improve accessibility to users. The two publications Financial Statements; *A Good Practice Guide for Local Authorities* and the updated *How to Tell the Story,* have both sought to remove clutter from the financial statements and focus on material items.

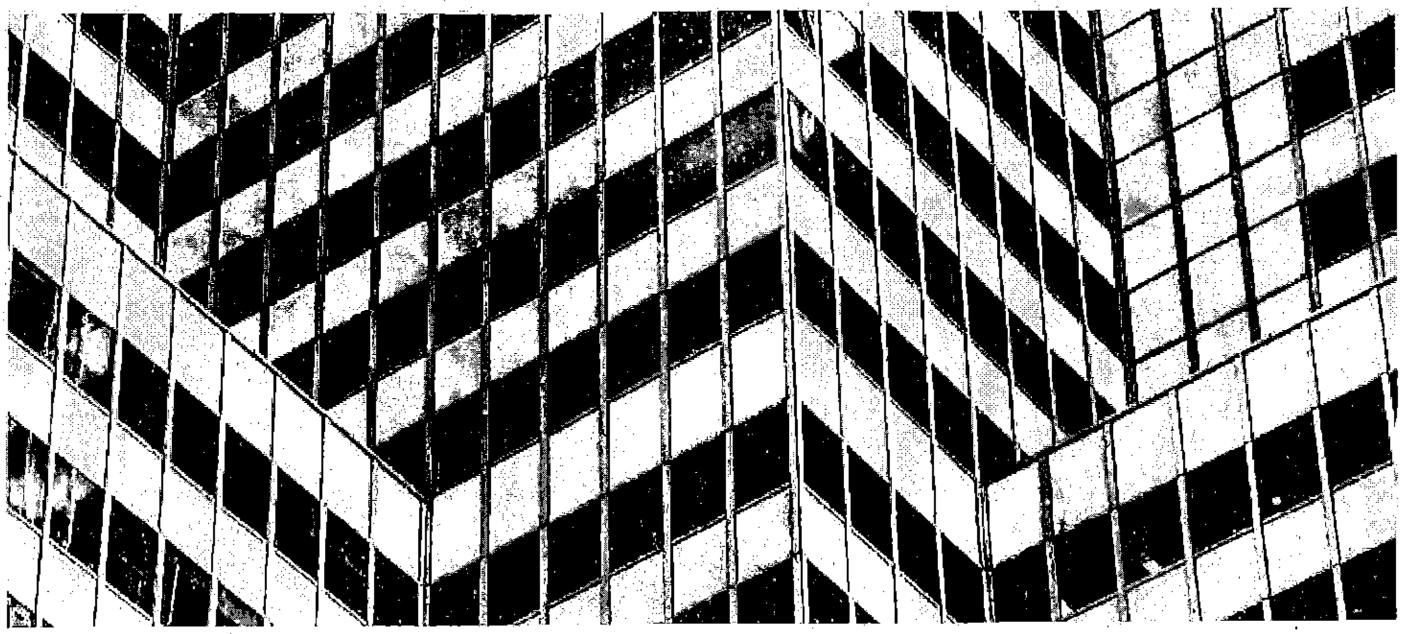
The next stage was seen to be how to adapt the IFRS based accounts to improve the accessibility of information for the lay user with the benefits and improvements in reporting that IFRS has brought being retained.

The Invitation to Comment (ITC) sets out the recommended proposals for change, seeking views on whether they are considered to be the preferable option. The key strands of the proposal are that:

- To allow local authorities to report on the same basis they are organised by rather than in an analysis set out by Service Reporting Code of Practice (SeRCOP)
- To introduce a new Funding Analysis as part of the narrative report which provides a direct reconciliation between the way local authorities are funded and budget and the CIES in a way that is accessible to the lay-reader

It is important to note that the Service Reporting Code of Practice (SeRCOP) analysis used for Government returns will continue. Thus the revised approach will not, at this stage, lead to a single financial reporting regime.

The ITC also seeks views on the timing of the proposed changes and the practical effect of introducing this change in financial reporting on authorities. The closing date for responses is 9 October 2015.



EY digital innovation programme

In the digital age organisations are expected to be innovative and tech savvy to support the way they deliver services. As well as making services more accessible, embracing digital offers cost saving potential, and enables organisations to be forward thinking, faster and fitter.

EY has launched a Digital Innovation Programme, a new awards initiative designed to recognise and celebrate digital innovation in health and social care. Its aim is to help share best practice, and recognise and celebrate the patients, carers and citizens who, through their innovative use of digital platforms, have made a positive difference to society.

It is linked to the EY Startup Challenge which is an intensive six-week innovation programme focused on accelerating technological solutions for tomorrow's business problems. Participants will receive:

- Mentoring and coaching
- Access to the EY firm and client network
- Training and support workshops
- An understanding of how to access funding

Nominations close in November 2015 and the programme culminates in a national recognition ceremony in June 2016. More details can be found at http://www.ey.com/UK/en/Industries/Government---Public-Sector/EY-Digital-Innovation-Programme.

Cap on public sector exit payments: consultation

The government announced in May that it intended to end six figure exit payments for public sector workers.

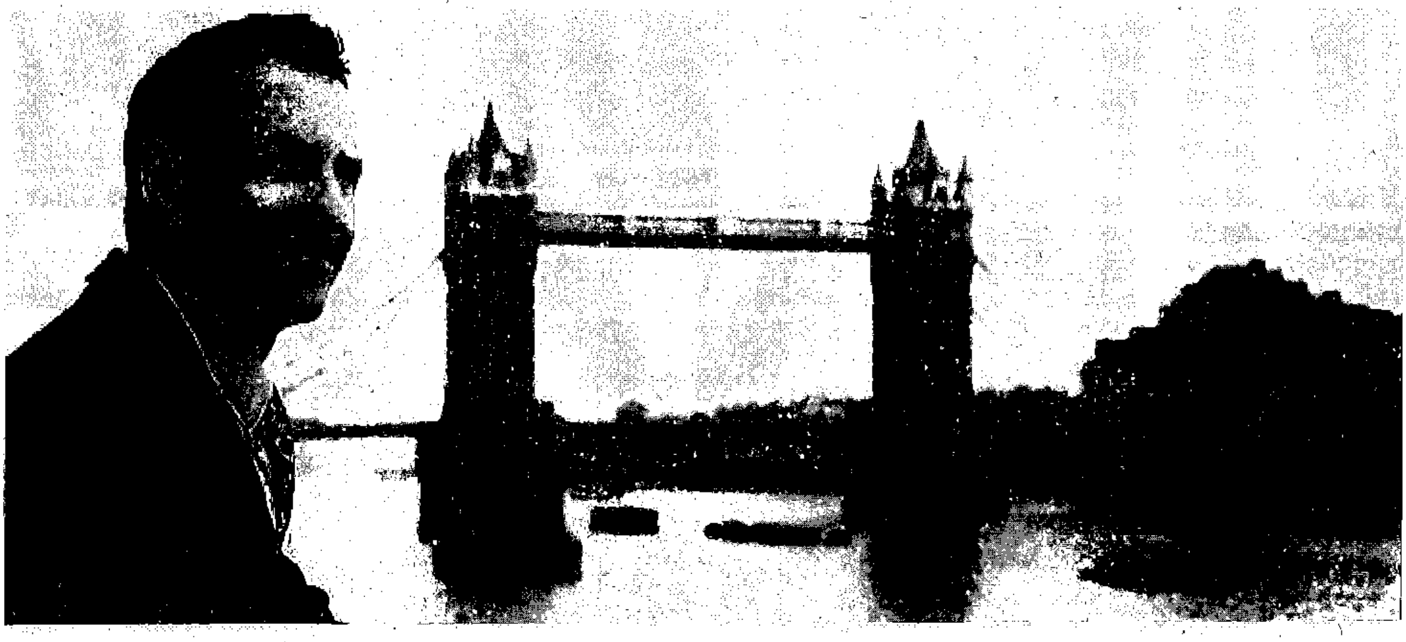
Exit payments help to unlock substantial reductions in staff costs in the medium to longer term and help authorities to meet the challenge of reduced funding available. However, given the scale of the costs associated with exit payments it is vital that they offer value for money to the taxpayer.

The government already has in place, for 2016, legislation to prevent highly paid individuals who return to the public sector within 12 months of exit from retaining their full exit payment.

Following on from this the government believes that it is right to ensure that public sector workers do not receive disproportionately large exit payments in the first instance. In particular the government is concerned about the number of public sector workers who are receiving exit payments of six figures. In 2013-14 alone, nearly 2,000 public sector employees received exit payments costing more than £100,000.

The government has proposed to introduce a cap of £95,000 on the total value of exit payments and HM Treasury launched a consultation on the proposed cap which ended in August 2015.

The current proposal has indicated that compensation payments in respect of death or injury attributable to the employment, serious ill health and ill health retirement will not be in the scope of the cap.



Regulation news

PSAA annual regulatory compliance and quality report

Public Sector Audit Appointments (PSAA) have released their Quality Review Programme annual reports for the 2014/15 audit season. There are individual reports on the seven principal audit firms and an overall summary report that compares all firms. The two main categories auditors are monitored for are audit quality and regulatory compliance.

PSAA have used a Red, Amber, Green (RAG) system throughout their reports. EY were one of two firms that received Green for the combined regulatory compliance and audit quality performance rating with the remaining five audit firms receiving an Amber rating.

For the second year in a row EY have received the highest Audit Quality score improving from 2.49 in 2014 to 2.55 in 2015 compared to a 2015 average of 2.19. Similarly for the financial statement audit work EY topped the table with a score of 2.36 compared to an average of 2.07.

As well as obtaining Green ratings for the two above categories, EY received a Green rating for Whole of Government Accounts work, VFM Conclusion work, Housing Benefit work, Regulatory Compliance, and Client Satisfaction.

The PSAA report on EY states:

"The firm is meeting our standards for overall audit quality and our regulatory compliance requirements. The firm has maintained its performance against the regulatory compliance indicators since last year, with all but one of the 2014-15 regulatory compliance indicators scored as green. The firm's overall weighted audit quality score has increased from last year and the satisfaction survey results show that audited bodies are satisfied with the performance of EY as their auditor."

Based on this review, PSAA state:

"We are satisfied that the risks of audit failure remain low; that all firms are meeting PSAA's regulatory requirements; and that all firms are continuing to produce work to an acceptable standard."

Auditors' work on value for money arrangements

The Local Audit and Accountability Act 2014 provided the Comptroller and Auditor General with the power to issue guidance to auditors which may explain or supplement the provisions of the Code of Audit Practice. This was a role previously undertaken by the Audit Commission.

This guidance is issued in the form of Auditor Guidance Notes (AGNs) and the 2014 Act requires auditors to comply with this guidance.

The NAO is currently consulting on a draft AGN regarding auditors' work on value for money arrangements. The consultation closes 30 September 2015 in advance of the guidance being issued in November 2015. EY and other audit suppliers are currently coordinating their responses to the draft guidance which would apply to audits from 2015/16 onwards.

A short guide to the NAO's work on local authorities

The NAO is publishing a suite of short guides relating to each government department and some cross-government issues. Although the main purpose of these guides is to assist House of Commons Select Committees, the guide on local authorities provides a useful overview for elected members. It includes arrangements for funding, major recent developments, the pressures faced by local authorities, and developments that are on the horizon.

Care Act first-phase reforms: local experience of implementation

Under its powers in the Local Audit and Accountability Act 2014, the Comptroller and Auditor General has published a report concerning the Care Act.

The Care Act 2014 puts new legal responsibilities on local authorities in England and requires them to cooperate with local partners to meet them. The NAO have previously reported that only a fraction of care is publicly funded, with the majority of support and care being provided by unpaid family, friends and neighbours. Many adults pay for all or a proportion of their care. Despite this, adult social care continues to be one of the biggest areas of spending for many local authorities. For 2014/15, the NAO estimates that net spend on adult social care in 2014-15 for local authorities is £14.4 billion.

This further report follows the NAO's report on central government's approach to the Care Act First-phase reforms, and provides examples from local case study areas which show how different authorities are addressing risks arising from uncertainty in demand from carers and self-funders.

Find out more

EY item club summer 2015 forecast

For details of the EY Item Club's latest forecast, see http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections

National living wage

Sources include:

BBC – http://www.bbc.co.uk/news/uk-politics-33437115

Local Government Association – http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/7386419/NEWS

UK Homecare Association – http://www.ukhca.co.uk/downloads.aspx?ID=473

Creating a better care system

Find out more details and a copy of the report at http://www.local.gov.uk/web/guest/publications-list/-/journal_content/56/10180/7350693/PUBLICATION

2016/17 code of practice ITC

For details about the CIPFA Invitation to Comment on the 2016/17 Code of Practice, see http://www.cipfa.org/policy-and-guidance/consultations/201617-code-of-practice-on-local-authority-accounting-in-the-united-kingdom-invitation-to-comment

'Telling the Story' ITC

More information about CIPFA's consultation on 'Telling the Story' can be found at http://www.cipfa.org/policy-and-guidance/consultations/telling-the-story-improving-the-presentation-of-local-authority-financial-statements

EY digital innovation programme

Details of the programme and how to nominate can be found at http://www.ey.com/UK/en/Industries/Government---Public-Sector/EY-Digital-Innovation-Programme

Cap on public sector exit payments: consultation

The details of the Government's consultation on capping public sector exit payments can be found at https://www.gov.uk/government/consultations/consultation-on-a-public-sector-exit-payment-cap/consultation-on-a-public-sector-exit-payment-cap

PSAA annual regulatory compliance and quality report

The PSAA's Audit Quality webpage can be found at http://www.psaa.co.uk/audit-quality/, the annual Regulatory Compliance and Quality Review Programme report is at http://www.psaa.co.uk/wp-content/uploads/2015/07/Annual-Regulatory-Compliance-and-Quality-Review-Programme-2015-Final.pdf, and the report specific to EY is at http://www.psaa.co.uk/wp-content/uploads/2015/07/EY-2014-15-Annual-Regulatory-Compliance-and-Quality-Report-Final.pdf

Auditors' work on VfM arrangements

The consultation document is available at http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf

A short guide to the NAO's work on local authorities

To access the interactive guide see http://www.nao.org.uk/wp-content/uploads/2015/08/A-Short-Guide-to-the-NAOs-work-on-local-authorities2.pdf

Care Act first-phase reform

The full report is available at http://www.nao.org.uk/report/care-act-first-phase-reforms-local-experience-of-implementation/

Notes

Notes

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Appendix C

EY Local Government Audit Committee Briefing

Autumn 2015

Local government audit committee briefing

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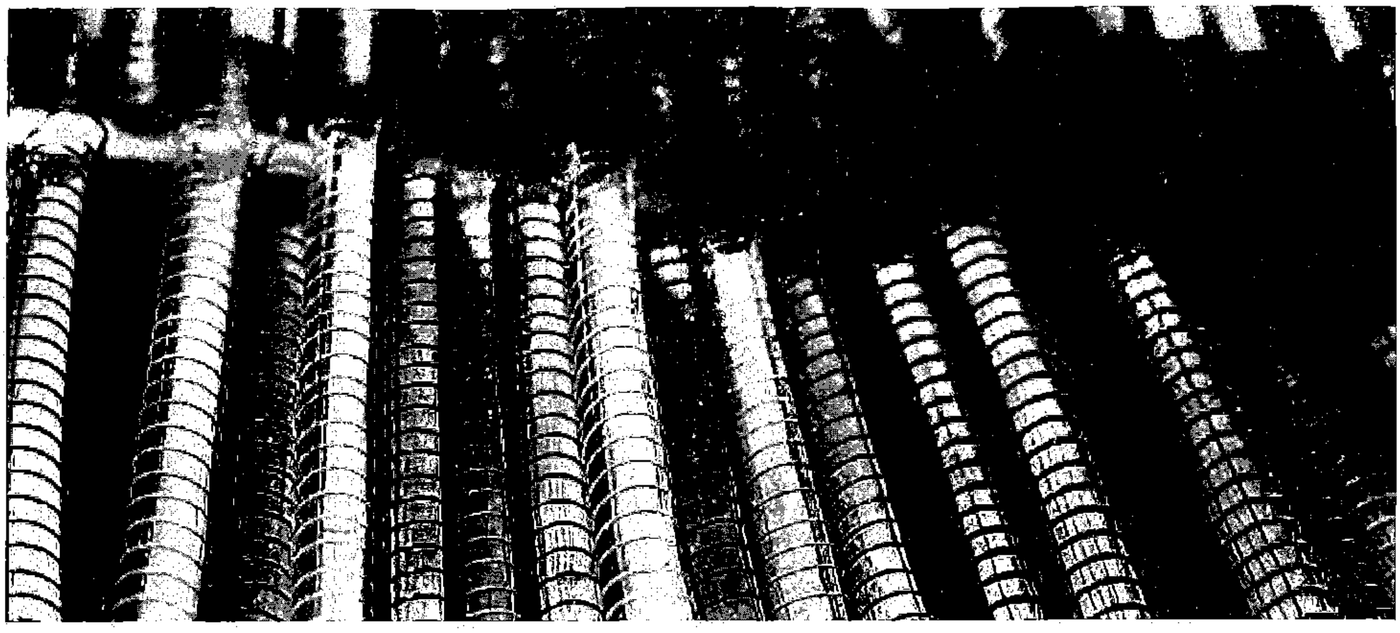


Government and economic news

EY Item Club Autumn Forecast

The latest EY Item Club forecast (Autumn 2015) predicts tougher times for the UK economy as what it describes as the 'consumer sugar rush' begins to fade.

GDP is forecast to grow by 2.5% this year (compared to 2.9% in 2014) and slow further to 2.4% in 2016 and 2.3% the year after. Consumer Price Inflation is expected to remain below target until 2018. Prospects for exports remain poor, and domestic consumption is likely to be affected by rising inflation and tighter fiscal policy from early 2016. Progress is seen to depend upon productivity gains rather than coming from the commodity price falls that are supporting demand this year. Businesses will need to work hard on overseas markets as opposed to relying on consumer-led domestic markets.

The forecast highlights that the last decade has seen a strong increase in the supply of labour which has depressed real wages and, arguably, productivity, but that we are now seeing a more normal recovery. This is characterised by an increase in the demand for labour, which boosts real wages and productivity. Wage inflation is highlighted as being strong. This is expected to be boosted further in April 2016 by the National Living Wage, the effects of which could be very significant for some sectors and regions.

Provided that increased productivity matches wage inflation, the expectation is that the Monetary Policy Committee will keep base rates on hold until next autumn.

For details of the EY Item Club's latest forecast, see http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections

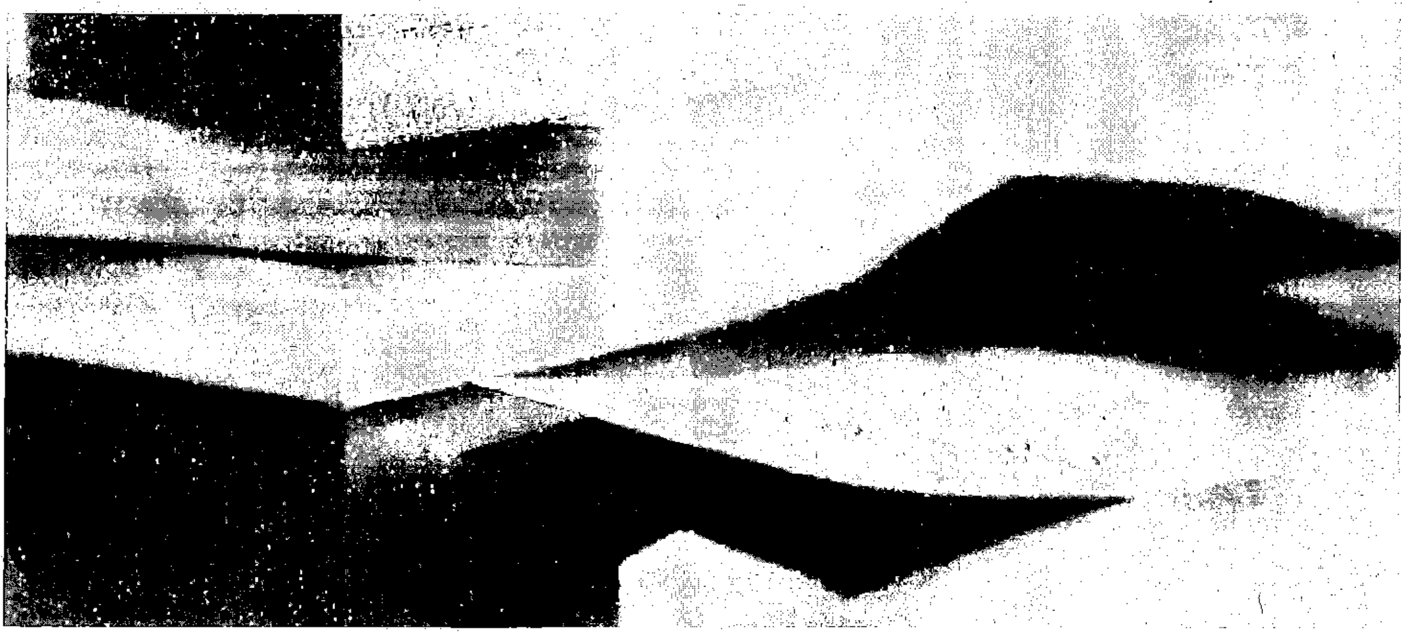
Housing Associations Right to Buy

The Chartered Institute of Public Financial Accountants (CIPFA) has produced a briefing following the Government's announcement in October that it intends to extend its Right to Buy scheme to Housing Associations. The briefing seeks to explore the potential impact of these plans on Local Authorities.

Local authority housing is intended to be self-financing, based on 30 year business plans established in 2012 with the HRA self-financing regime, with Council housing for each council financed from its own rental income. This principle was reflected in the 30 year business plans, but CIPFA suggests that these business plans do not reflect recent changes contained within the budget. These changes include amendments to the rent policies as well as the proposed sale of high value local authority housing stock in order to compensate housing associations for the shortfall in income caused by the new Right to Buy scheme.

According to CIPFA, research has shown properties sold under the existing Right to Buy scheme have in many instances returned to the rental market at a higher level of rent than council levels. They have cited the example of Barking and Dagenham where it is said that 41% of properties purchased under the Right to Buy scheme are now let privately.

CIPFA warns 'Any legislation that leads to a negative impact on the housing business plan models of local authorities could seriously undermine the very basis of self-financing which promised autonomy for local authorities in the delivery of housing in their areas.'



However, Communities Secretary Greg Clark said:

"We're determined to ensure that home ownership is seen as a reasonable aspiration for working people.

Right to Buy is a key part of this, offering a helping hand to millions of people who would have no hope of buying their own home without it.

Today's historic agreement with housing associations and the National Housing Federation will extend that offer even more widely, whilst at the same time delivering thousands of new affordable homes across the country."

The Government agreement with housing associations and the National Housing Federation will see housing association tenants able to buy their homes from 2016.

CIPFA's briefing document can be downloaded from http://www.cipfa.org/cipfa-thinks/briefings, and further information from the government is available at https://www.gov.uk/government/news/historic-agreement-will-extend-right-to-buy-to-13-million-more-tenants

Consultation: improving efficiency on Council Tax Collection

Council tax collection rates have been relatively high in recent years: 97% across England in both 2014/15 and 2013/14. However, the Government is looking at ways to enable local authorities to further improve collection rates.

To this end, the Government has issued a consultation on its proposals to improve the collection and enforcement process for council tax. The government's stated intention is to help local authorities to keep council tax rates low, and so the proposals are aimed at ensuring that everyone contributes fairly.

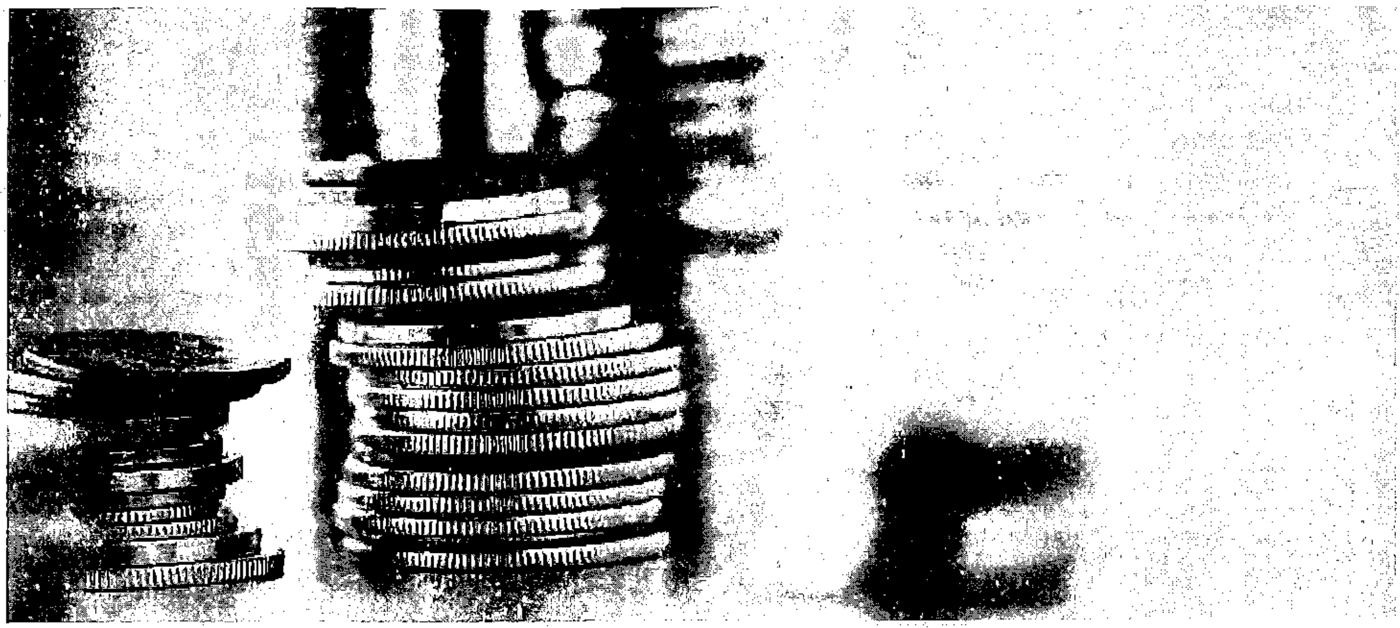
The consultation follows a trial by Manchester City Council, Salford City Council, HMRC and the Cabinet office under the 'Better Business Compliance Cabinet programme', and reflects consideration of the findings from this trial.

An example of this is the Government's proposal to extend the data-sharing gateway which currently exists between HMRC and local authorities. This would enable HMRC to share employment information with councils where council tax debtors have not voluntarily shared the information within 14 days of receiving a liability order. Manchester estimates, based on its pilot with HMRC, that this would recover £2.5mn of debt in its area alone.

The consultation also asks for other suggestions to improve council tax collection.

Responses are requested by 18 November 2015.

For more information on the consultation and details on how to respond, please see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466386/150930_Improving_Efficiency_of_Council_Tax_collection_Consultation_Doc.pdf



Local Plans for New Homes

In October, the Government announced that councils will be required to produce local plans for new homes by 2017. Where councils fail to do so, the Government will consult with local people to ensure that plans are produced for them.

In 2012, the National Planning Policy Framework was introduced to provide guidance for local planning authorities and decision-takers, both in drawing up plans and making decisions about planning applications. This framework reinforced the role of local plans. It required the plans to include an annual trajectory over a period of around 15 years of how many homes they plan to build in their area, and it required local authorities to review this plan approximately every 5 years. Councils were also encouraged to give local people more say on where new developments would be located and what they would look like.

The Government have said that the response to this has been mixed:

- 82% of councils have published local plans which state how many homes they intend to build over a given period
- 65% have fully adopted these plans
- Nearly 20% of councils do not have an up to date plan

If councils fail to produce and bring into force an up to date plan for new homes by 2017, the Government intends to work with local people to ensure one is created.

Read the government press release at https://www.gov.uk/government/news/prime-minister-councils-must-deliver-local-plans-for-new-homes-by-2017

Accounting, auditing and governance

Proposals for further emergency services collaboration announced

The Government has launched a consultation which is looking into how the three core emergency services of Police, Fire and Rescue and the Ambulance service could potentially work together in a more efficient and effective manner. Key features of the consultation include:

- Enabling Police and Crime Commissioners (PCCs) to take on the duties and responsibilities of Fire and Rescue Authorities where a local case was made for this to happen
- Where a case is made by a local PCC to take on such a role, there would also be the possibility for them to take on the role of a single employer and in doing so enable the sharing of back office support functions
- Improving joint working between PCCs and local NHS Ambulance Foundation Trusts by encouraging them to allow PCCs to sit on their Council of Governors

The Government also intends to introduce a new statutory duty for the three emergency services to collaborate with one another; and sees this as not being a burden, but is about seeking efficiencies.

However, a key legal distinction would remain under the new proposals, in that a member of a police force will not be permitted under law to become a firefighter, and firefighters will not be given the power of arrest. In order to maintain transparency for local taxpayers, funding from central government will remain separate for police and fire organisations, as will council tax precepts.

https://www.gov.uk/government/news/proposals-for-further-emergency-services-collaboration-announced

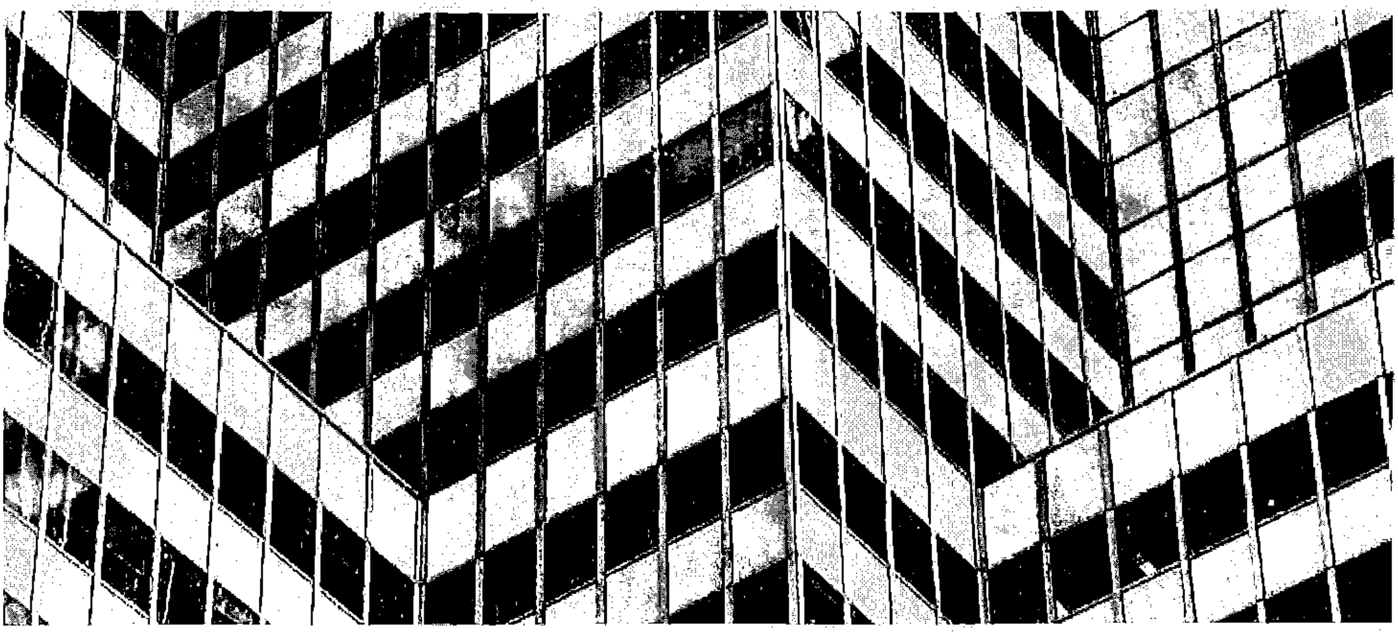
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459986/Consultation_-_Enabling_closer_working_between_the_Emergency_Services__w__2_.pdf

Finance in the Cloud?

Cloud computing allows users to rent access to a variety of virtual computing options, conveniently, ranging from network-accessible data storage and software development environments to fully featured applications. As such, the data and applications are not required to be stored on local servers or 'on-premise'; rather, they are hosted and managed by third-party cloud service providers (CSPs).

Enterprises essentially outsource varying levels of IT functionality to CSPs, and users only need an internet connection to access the data and applications via virtual servers. By moving into the cloud, organisations have the potential to reduce greatly, or even eliminate, the total cost of ownership (TCO) of the IT function, thereby forever altering their business model.

The benefits of cloud adoption are highly touted. However, over a decade ago, on-premise enterprise resource planning (ERP) solutions made similar promises. Although the trigger for rushed ERP implementations in the 1990s was the much-fretted Year 2000 (or Y2K) calamity, Y2K concerns turned out to be largely unfounded, and many finance executives would now argue that they have yet to reap genuine, tangible benefits from investing in costly ERP systems.



Although a company's financial management system is critical to success, EY is finding that many organisations have systems averaging from 10 to 15 years old, with upgrade cycles ranging from 5 to 10 years. Despite aging legacy systems, many finance decision-makers are hazy on how cloud solutions are really any different from the ERP solutions hyped in the previous decade.

Organisations that truly understand cloud technology, as well as the associated challenges and risks, are better placed to manage the impact of cloud computing on the finance function. Moreover, they must engage an agile innovation strategy focused on deploying the right operating model in order to realize fully the benefits of cloud computing.

In EY's experience, organisations that fail to make a robust cloud risk assessment often need to make subsequent, costly changes to the cloud model, thereby negating any savings gained from cloud migration. EY recommends that organisations develop a clear, attainable cloud strategy, including an appropriate operating model accompanied with a cloud risk management approach to mitigate risks and avoid a premature move to the cloud.

EY has a proven framework for cloud models, along with risk assessments and broad-based diagnostics to evaluate and optimise a cloud strategy that enables minimal disruption whilst accelerating an organisation's evolution. For more information on this, please talk to a member of your engagement team or read the EY publication at http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud_Final.pdf

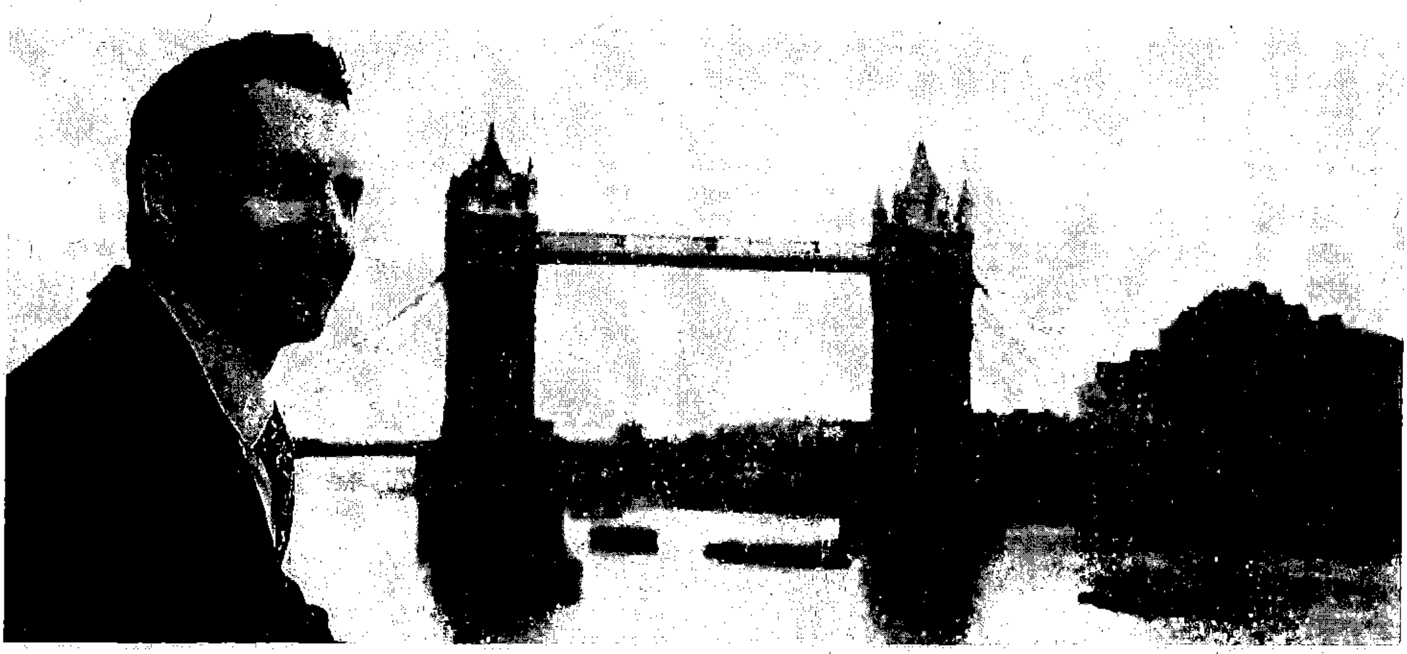
Value for Money Conclusion guidance

The NAO have recently released a consultation document (http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf) a consultation document for auditors on their review of arrangements to secure economy, efficiency and effectiveness in their use of resources. This is also referred to the as three E's or the Value for Money (VfM) conclusion. The guidance covers the VfM work for 2015/16.

Based on the responses received to a similar consultation in 2014 the new draft guidance seeks to:

- Take forward existing guidance and reflect changing circumstance for public sector organisations such as finding savings and maintain financial stability over the medium and long term
- Update the definition of 'proper arrangements'
- Strengthen guidance on the identification and work around significant risks whilst maintaining a risk based approach
- Update and clarify the range of reporting opinions available to auditors and expectations at key stages of the audit
- Maintain sector specific guidance that will sit outside of the statutory guidance but can provide up-to-date information on sector specific risks

The consultation closed on 30 September and the NAO will communicate a summary of the responses once they have reviewed then. Further information can be found at https://www.nao.org.uk/keep-in-touch/our-surveys/consultation-auditors-work-on-value-for-money-arrangements/.



Regulation news

Consultation on 2016/17 proposed fee scales

Public Sector Audit Appointments (PSAA) is currently consulting on both the work programme and scale of fees for 2016/17 audits. The consultation describes the work that auditors will undertake at principal audited bodies for 2016/17 and their associated scales of fees.

There are no planned changes to the overall work programme for 2016/17 and their proposal is to set scale audit fees at the same level as the scale fees for 2015/16 which already reflect a reduction of 25% in addition to the reduction of up to 40% made from 2012/13.

A change in accounting requirements in 2016/17 relating to highways infrastructure assets will require additional audit work at some authorities. As the amount will differ between authorities, the fee variation process will apply in 2016/17 for this additional work.

The consultation closes on Friday 15th January 2016, and the final work programme will be published following this in March 2016.

For details of the consultation, please refer to the PSAA website at http://www.psaa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/

NAO Case Study: Managing reductions in local authority government funding

The National Audit Office (NAO) has made available more than 30 case studies which give examples of how organisations have used their recommendations or analysis to support the achievement of financial savings.

One of these case studies follows the production of its 2014 report 'Financial Sustainability of Local Services'

The NAO case study states that following their report, the Department for Communities and Local Government (DCLG) has acknowledged that its processes for estimating local authority spending requirements and assessment the potential impacts of spending reductions need to be improved.

They also note use of their report in the sector, citing the following examples:

- Leeds City Council and Birmingham City Council have drawn on the work in their debates with central government over devolution
- Wolverhampton City Council and Oldham Council have used the work to inform discussion and decision-making in cabinet meetings and audit and scrutiny meetings
- The Local Government Association and treasurers' societies have used the analysis from the report to inform their thinking

Find out more about the impact made by NAO reports in their interactive pdf at https://www.nao.org.uk/wp-content/uploads/2015/10/impacts-case-studies-2014.pdf

Find out more

EY Item Club Autumn Forecast

For details of the EY Item Club's latest forecast, see http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections

Housing Associations Right to Buy

For further information, please see the government press release at https://www.gov.uk/government/news/historic-agreement-will-extend-right-to-buy-to-13-million-more-tenants and access the CIPFA report at http://www.cipfa.org/cipfa-thinks/briefings

Consultation: Improving Efficiency on Council Tax Collection

For more information on the consultation and details on how to respond, please see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466386/150930_Improving_Efficiency_of_Council_Tax_collection_Consultation_Doc.pdf

Local Plans for New Homes

Read the government press release at https://www.gov.uk/government/news/prime-minister-councils-must-deliver-local-plans-for-new-homes-by-2017

Proposals for further emergency services collaboration announced

For more information on the Government's proposals, please see https://www.gov.uk/government/news/proposals-for-further-emergency-services-collaboration-announced, and for a copy of the consultation document please see https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/459986/Consultation_-_Enabling_closer_working_between_the_Emergency_Services__w__2_.pdf

Finance in the Cloud?

To find out more about Cloud Computing and how EY can support you, please ask a member of your engagement team or read the EY publication at http://performance.ey.com/wp-content/uploads/downloads/2015/10/EY-Performance-Finance-in-the-cloud_Final.pdf

Value for Money Conclusion guidance

Further information can be found at https://www.nao.org.uk/keep-in-touch/our-surveys/consultation-auditors-work-on-value-for-money-arrangements/, and a copy of the NAO's consultation document is available at http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf

Consultation on 2016/17 proposed fee scales

For further details on the consultation and how to respond to it, please visit:

http://www.psaa.co.uk/audit-and-certification-fees/consultation-on-201617-proposed-fee-scales/

NAO Case Study: Managing reductions in local authority government funding

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Notes

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ED None

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Audit Committee

Item No. 6

Report title:	**Norfolk County Council's Insurance Cover**
Date of meeting:	**28 January 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

The Council's Constitution includes in the Audit Committee's Terms of Reference (part 4.4) for risk management to, 'Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the council and ensure that the Full Council is kept sufficiently informed to enable it to approve the Council's risk management Policy and Framework and that proper insurance exists where appropriate.

Providing insurance cover is one of the accepted methods of reducing the impact of risks to Norfolk County Council. The payment of a premium to an insurer, thus offsetting the risk allows the Council to purchase protection against a breach of its duty where the insurer will indemnify the organisation against financial loss.

Executive summary

This report provides the Audit Committee with information relating to the current position of the insurance provision for Norfolk County Council. The Insurance function is part of the Finance Department, overseen by the Policy and Resources Committee.

The report will provide members with assurance as to how the insurance provision is delivered for the County Council and how claims against the Council are managed by the Insurance Team.

Recommendations:

Committee Members are asked to:

1. **note that proper insurance exists where appropriate, as confirmed by external and internal reviews and accept the report.**

1. Proposal (or options).

1.1. At the recent Audit Committee meeting members requested that they might have information about the levels of insurance cover that are in place for Norfolk County Council.

1.2. The report seeks to provide information and assurances that there is adequate provision across the Council regarding insurance cover.

2. Evidence.

2.1. There are many risks that Norfolk County Council face in delivering the services that it is required to deliver. When risks have been identified there are a number of industry accepted methods to treat or mitigate these risk.

2.2. There are four accepted methods to treat and mitigate identified risks:

- **Avoid:** Decide not to start or continue with an activity that gives rise to the risk. Stop the activity or find a different way of doing it. The application of this option is often limited, especially in terms of strategic risks.
- **Reduce:** Take actions to reduce the impact, e.g. contingency arrangements. Take action to reduce the likelihood e.g. alternative systems, increased training, physical improvements to premises etc.
- **Tolerate:** One example of the value of risk management is recognising that it may be appropriate to place an activity 'at risk' yet continue with it.
- **Transfer:** Share the exposure, either totally or in part, with a partner or contractor, or through insurance.

2.3. Risk transfer is usually accomplished through the use of an insurance policy, although not exclusively. This is at its most basic, a voluntary agreement between two parties, the insurance company and the policyholder, in this case Norfolk County Council. In such an agreement the insurance company takes on strictly defined financial risks from the policyholder. If an event occurs that is covered by the insurance policy, the insurance company will make good the agreed financial loss.

2.4. For providing this type of cover against loss the insurance company charges a fee, or insurance premium, for accepting the risk. In addition there may be deductibles, reserves, reinsurance and other financial agreements that modify the financial risk the insurance company takes on.

2.5. Not all identified risks are insurable, non-insurable risks are risks that an insurer is not willing to take on because the future losses cannot be estimated. Examples of non-insurable risks would include criminal prosecution, loss of reputation and risks around political decision making.

2.6. Most risks that are identified can be insured against. However the cost of insurance, the premium charged by the insurer, will reflect the level of risk the insurer believes they are taking on. The premium is very dependent upon the claims history of the particular organisation and how effective risk mitigation measures are that have already been implemented.

2.7. The cost of cover or the premiums are also dependent upon the level of deductible (excess) that is attached to the policy. The greater the excess generally the lower the cost of the cover will be. The policyholder will be responsible for the full costs of any claim up to the excess, and where a claim is above the excess the insurer will be responsible for the balance.

3. Insurance provision.

3.1 Until 1992 Norfolk County Council was insured with “Ground-up cover” where the insurer takes on the full risk of the cost of any claim settlement. The Council did not carry any deductible and as such premiums were set at a high level. In 1993 it was agreed that on the Liability policy the Council would carry a deductible of £100,000 per claim.

3.2 As a result of this decision a fund was required to cover the element of the self-insurance to the £100,000 level. Since the mid 1990’s our deductible across all policies has been increasing to the current £250,000. The result of the higher levels of deductible is that insurers can reduce the risk they have to cover and thus reduce the costs of premiums they charge as the fund is used to cover settlements up to the £250,000 level.

3.3 Where the insurer takes on the full risk of the claims, under the Ground-up cover scheme, it is the insurer who will take conduct of the claims and make all decisions around the claim. The insurer will investigate, review and decide upon liability, making their recommendations to the insured. Where there is a deductible the insured will have responsibility and conduct for the claim and is responsible for all decisions made up to the value of that deductible, although in some significant cases the insurer may also be involved in decision making. This process gives the insured much more control and certainty over the settlement of claims.

3.4 In addition we carry a “stop-loss” provision which places a maximum value or limit per year of aggregated claims against each policy. This cover is to ensure that catastrophic or numerous claims do not reduce the fund to a dangerous level. It protects the Council from higher than expected claim numbers and should the aggregated claims in a given year breach the agreed stop loss value the insurer will then pick up the total cost of the claims above that agreed stop loss figure. For our Property policy the stop loss is £1,000,000 for all other policies the stop loss is £6,750,000.

3.5 Norfolk County Council carries a number of different insurance policies, some that are a legal requirement others that are out of necessity. There are also anomalies, such as with motor insurance. It is a legal requirement that any driver has insurance for the vehicle they are driving. However as a Local Authority, the Council could be exempt from such insurance under the Road Traffic Act. It would mean that any claim brought as a result of a motor incident would then have to be fully funded by the Council rather than only up to the level of excess.

3.6 There are four main policy types that Norfolk County Council holds cover on:

- **Employers Liability** – As an employer the Council has insurance against claims from employees for breach of our duties towards them. The insurance will allow the Council to meet the costs of compensation for injury or illness as a result of the actions or inactions of the Council.
  Currently the limit of indemnity on this policy is £50 million with an excess of £250K

- **Public Liability** – This policy covers members of the public (non-employees) against claims for breach of duty or where the Council is the occupier of a premises that the public have a right of access to. This policy would also cover claims made against the Council for incidents relating to the Highway. Currently the limit of indemnity on this policy is £50 million with an excess of £250K.

- **Property insurance –** Cover for material damage to the Council's property and contents of such properties as a result of applicable perils. Currently the limit of indemnity on this policy is the individual property valuation assessed by NPS with an excess of £250K.

- **Motor insurance –** Cover for any motor vehicle which is the property of or in the custody of or control of the council. Currently the limit of indemnity on this policy is £50 million with an excess of £250K.

3.7 Some of the addition policies that the Council currently holds are as follows:

- **Airside cover –** Cover for incidents on the airside (live side) at an airport. Currently the limit of indemnity on this policy is £50 million with an excess of £250K.
- **Fidelity Guarantee –** Cover for direct acts of fraud, theft or dishonesty by an employee in the course of their employment.
- **Fine Art All Risks cover** – Cover for art and collectables owned or on loan to the council. Currently the limit of indemnity on this policy is £50 million with an excess of £10K.
- **Travel insurance –** Cover for all authorised trip members worldwide, including specialist medical assistance. Various levels of indemnity for different aspects of cover with an excess of £15 per claim.
- **Professional Indemnity –** Covers financial loss as a result of acts or omissions in the professional services provided by the Council. Currently the limit of indemnity on this policy is £5 million with an excess of £100K.

3.8 As part of the insurance service provided by the Insurance Team there are many small, individual and specific policies that have been purchased to cover very specific risks. Examples would be cover for asbestos surveys and removal and hired in plant cover.

3.9 Policies cover all aspects of the activities that are undertaken by Norfolk County Council. In addition cover is provided to all Local Authority schools, Norse and NPS and all other wholly owned companies, such as Independence Matters.

4. Claims Handling

4.1 Being self-insured to the level of £250,000 means that we have full conduct of all claims that are reserved below that figure and have the capacity to make final decisions on all such claims.

4.2 All areas of claims brought against the County Council are handled in-house by a dedicated professional team of claims investigators and managers, including those claims that ultimately become litigated. The Insurance team has been managing claims for over 20 years and has considerable experience in all classes on business. Being in-house means that there is ready access to the appropriate officers in departments against which claims have been brought and access to IT systems and electronic data as required. Data that is stored is available to investigators without special permissions as it remains within the Council being used for Council activities.

4.3 Claims can be brought against the Council in a number of ways, a claimant in person may complete a claim form or write a formal letter of claim, claims may come in through the Ministry of Justice portal which is a mechanism that allows solicitors to bring claims electronically with specific fixed costs or directly from a solicitor through a traditional letter of claim. Once the claim has entered the system it is allocated to the appropriate level of handler for investigation and response.

4.4 Norfolk County Council receives over 2500 claims a year, the majority of the liability claims are brought by members of the public. All claims on the Motor policy will be related on an incident involving one of our vehicles, some will have a third party involvement. All property claims will relate to damage to a property owned by the Council. Over recent years liability claims are averaging over 900 a year, Motor claims are averaging just under 1000 a year and Property claims are averaging just under 700 a year.

4.5 Of the 900 liability claims brought against the Council in 2014-5 to date payment has been made on 212 at a cost of £282,618. It is possible that although the remaining claims have been denied it is likely that some claimants will continue to pursue the Council. On the 501 property claims made in 2014-5 the insurance fund has paid compensation of £361,878. On the 932 motor claims made in 2014-5 the insurance fund paid £795,308 in repairs for damage to vehicles.

4.6 Claims are reserved (the potential cost of settlement should it be necessary including all potential legal costs) against the information provided by the third party. Where a claim reserve is higher than the excess the insurer has a right to take over conduct of the claim, working alongside the claims handler, to ensure an appropriate outcome.

4.7 All liability claim allegations must be associated with a breach of statute. It is for the claimant to bring the allegations of what statute/s they consider have been breached and for the claims handler to fully investigate the allegations and determine if the Council does have a defence or if there is a legal precedent (case law).

4.8 Where there are property damage claims the team act as loss adjustors and provide immediate recovery provisions. This will include, particularly in flood and fire circumstances, managing recovery experts to ensure the property is returned to the pre incident condition as soon as possible. The team will liaise with the occupiers and the specialists to ensure that the service delivery disruption is minimised. This will also include working with contractors and NPS where building works are necessary.

4.9 Where a claim becomes litigated the handler will work in conjunction with either NP Law or one of our panel solicitors to develop our defence. Handlers will take witness statements, collate additional documentation, meet with barristers and eventually attend court to support our witnesses. Whilst in court they will record a transcript of the case for future learning points.

4.10 Denial rates (closing a claim with no payment to the third party) form part of the suite of KPI's for the Insurance Team. Currently the rate for Employers Liability denials is at 50% and Public Liability denials is 80%. Both of these are considered by our external solicitors as in the upper quartile when compared nationally. Clearly denial rates are very dependent upon what the individual departments and sections are doing and what policies and practices they are working to. Claims can only be defended and denied if there is sufficient documentation to prove the Council has complied with all that is required to do.

5. Insurance Fund

5.1 The Insurance Fund is the financial provision that is used to pay settlement compensation to successful claimants and any associated legal and medical costs. The fund is maintained by the collection of premiums paid by the departments against the policy cover provided.

5.2 For some classes of insurance it can take several months or even years to report, investigate, pay and close claims. For some large and complex claims, courts may need to decide on liability and this can add more time to the process.

5.3 As noted, each claim will have a reserve set as an estimate of future potential payments (the outstanding amount). Insurers and claims handlers adjust the outstanding amounts as the claim progresses. The total value of a claim (the incurred amount) is the amount paid to date plus the "outstanding" amount still to be paid. As money is paid out on a claim, the reserve will be reduced, however when calculating the total liability for a claim both the incurred and outstanding is combined.

5.4 The Council carries a sizeable deductible and we hold financial provisions in the Insurance Fund to meet the liabilities from claims for incidents in the current and previous years. The fund, comprising of departmental premiums, is drawn down to pay compensation to successful claimants up to the full value of the deductible. There needs to be sufficient money within the Fund to meet the historical liabilities, losses arising in previous years as well as claims in the current policy year.

6. Assurance

6.1. Both the claims handling function and the Insurance Fund is reviewed regularly by external auditors to ensure that we are providing an excellent service and that the Insurance Fund is adequate to cover all liabilities. The Fund is referred to in the Provisions section of the Budget Book 2014-17 page 126 and 127 and Statement of accounts 2014-15 page 55

6.2. The Insurance Fund is reviewed on an annual basis by Marsh Limited to provide the Council with the confidence and assurance that there are sufficient monies within the fund to cover actual and potential losses. The review uses statistical analysis to calculate how claims are expected to change over time before they are eventually concluded.

6.3. In addition to the Fund Review, the handling policies and processes are reviewed through external audits. Our previous insurer has carried out audits on an annual basis to provide them with assurance that we are delivering the appropriate level of expertise. Our new insurer has not yet undertaken an audit but as part of the assurance process at tender stage they did review the full insurance processes. In addition, three times a year we engage an external expert claims auditor to ensure our processes and procedures are to industry standards. These audits are directed at specific areas of claims handling within different policies to ensure a consistent approach within the team but also to ensure industry best practice.

6.4. The outturns from such audits are used to develop learning packages for team members throughout the year. Travelers Insurers undertook an audit earlier in the year, the report states “It is the conclusion of the Auditor that claim handling undertaken by NCC is to an excellent standard supported by the 96% result” when judged against other such teams nationally.

6.5. Norfolk Audit Service has recently completed an audit of the insurance processes. The purpose of the audit was to obtain assurance about the controls in place for investigating and paying out claims, monitoring of staff’s and the team’s performance, whether good communication is in place and what actions are taken by the team to reduce the level of insurance pay-out. Overall, based on the evidence seen as part of the audit, is that internal controls are Acceptable. Two medium priority findings were raised and actions have been agreed to further strengthen performance management processes and to analyse insurance claims to identify and report on potential trends.

6.6. On a quarterly basis the insurance claims process is audited by a specialist external auditor from Civic Risk Limited, when specific areas of activity within the team are reviewed and reported. In November an audit was undertaken into liability claims where there had been personal injury and the claims had been settled in the last 18 months. The audit reviewed 40 individual claims and the report concluded that the activities around claims handing, reserving, negotiation and settlement processes were all at a high level. The report highlighted two minor points on two claims that he considered could have been dealt with in a slightly different way but these had no effect on the overall outcome.

Officer Contact

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

Officer name : **Steve Rayner** **Tel No. :** 01603 224372

Email address : steve.rayner@norfolk.gov.uk

Audit Committee

Item No 7

Report title:	**Norfolk Audit Services Quarterly Report for the Quarter ended 30 September 2015**
Date of meeting:	**28 January 2016**
Responsible Chief Officer:	**Executive Director of Finance**

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

Norfolk Audit Services fulfils the internal audit function for the Council as required by its Terms of Reference (page 93) , its Strategy (page 61) agreed at the January 2015 Committee and the relevant regulations (please click underlined text for links). Internal Audit's work has made a significant contribution to the Council's priorities, being:

Excellence in Education

- While value for money in schools is judged by educational attainment, good financial management and governance of schools is a foundation to ensuring children and young people's right to an excellent education. We have used our experience and skills to drive up the standards of financial and risk management in two Norfolk schools through a mix of one directed audit and one traded audit during the quarter

Real Jobs

- No specific audits on this topic in the last quarter

Good Infrastructure

- A CRC Energy Efficiency Scheme during the quarter

Supporting Vulnerable People

- No specific audits on this topic in the last quarter

Effective support services

- Delivering the audit plan for 2015-16 sufficiently in the quarter to support the annual opinion. The agreed plan was reduced during the year as resources were again significantly impacted by the management of vacancies in the team. For this reason audits, deferred or cancelled on a risk assessed basis, due to operational changes in the Council services arising during the year, were not all replaced.

- A Risk Management Medium Term Strategy 2015-18 has been drafted to set out the future direction and performance management of the function.

- Satisfactory progress made with the setting up of the Audit Authority for the FCE European programme.

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 to 2.2)
- Other relevant information (2.22 to 2.32)

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 Progress with delivering the Internal Audit Plan has been adversely impacted by:

- Managing vacancies
- Managing productivity rates

2.5 Norfolk Audit Services have set a target of 100% of reports being draft or final by the end of 2015/16. The work is considered satisfactory at this stage of the year and sufficient to support the opinion, given the impact of this issues described in 2.4 above, as shown in **Table 1** below. A list of final reports for the last quarter is attached as **Appendix A**.

Table 1: Final Audit Reports

Report type	**Quarter 2**
Final audit reports (Communities and Environment Services)	1
Directed School audit	1
Key accounting systems	1
Total Audits	**3**
Certified grant claims	6
Follow-up report	0
Final audit reports (Pensions)	3
Traded Schools	1

2.6 The definition of High Priority Findings has been changed to be more aligned with the corporate measure of risk. The new definition of a high priority finding is a significant weakness of such impact on the authority that it requires immediate attention.

2.7 As a result of this, 31 are no longer considered to be corporately significant. Of the sixteen remaining High Priority Findings, five had satisfactory action taken and eleven are rated green – actions are being taken but are not yet completed. High Priority Findings are followed up and the results per Department are shown below in **Table 2**.

Table 2, High Priority Findings Summary as at December 2015

Department	Green rated High Priority Findings
Adult Care	0
Children's Services	4
Communities and Environment	0
Finance	7
Resources	0
Total NCC	**11**
Schools	0
Total High Priority Findings	**11**

2.8 There has been an increase in the take up of the Traded Schools Audits. As at the date of writing this report 23 schools have requested a traded audit so far this year.

2.9 We aim to further develop our approach and skill sets to provide new perspectives on how we approach audits to add value, be a partner to the business and take an active role in transformational change through critical thinking and value creation. We have started developing our reporting in 2015-2016 to set, measure and highlight cost recovery; new growth opportunity; hour efficiency; redeployment savings or risk reduction with recommendations that make 'meaningful improvements'.

2.10 Norfolk Audit Services makes every effort to reduce its carbon footprint.)

2.11 The profile of Anti-Fraud and Corruption arrangements remains high, as reported in a separate Anti-Fraud Update Report to this Committee.

2.12 There are no Preliminary Assessments or investigations in progress.

2.13 Good progress is being made in most areas of the 2014/15 NFI (National Fraud Initiative) matches, with no significant issues being identified at this point of the investigations. NAS continues to work with nominated investigators to ensure that all matches to have been cleared before the end of 2015.

2.14 Satisfaction Questionnaires are issued with draft reports and grant work performed. We have received positive feedback for the eight responses in the quarter ended 30 September 2015, as shown at **Appendix B, 2.1**. We will continue to stress to clients how important feedback is to us to seek to improve response rates.

2.15 The cumulative proportion of time supporting the audit opinion for quarter 2 was 52% and, while this is less than the target of 62%, this is considered satisfactory due to the significant temporary staff turnover and profile changes.

2.16 The preparations for the France Channel England Interreg Audit Authority are progressing satisfactorily.

2.17 Supporting notes and Technical Details for this report appear at **Appendix B**, for reference only.

2.18 **Other relevant information**

2.19 The Financial Implications and risks associated with organisational change have the potential to be significant where they may impact on available reserves. The Policy and Resources Committee receives regular reports on Performance and Risk and the delivery of financial savings.

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

2.21 Digital Norfolk Ambition Update

2.22 In developing the ICT audit plan for the next three years it has been agreed with the then Head of ICT that for the corporately significant DNA project Norfolk Audit Services would report quarterly to this Committee. At this time no specific audit work has been undertaken on the programme. We are alert to developments, governance, controls and risk management in the DNA programme and will maintain this in future audit planning and advice.

2.23 France (Channel) England (FCE) update

2.24 Since the end of the quarter, significant milestones have been achieved.

a. The Cooperation Programme was approved by the European Commission on 27 October 2015, which means the Managing Authority can now finalise its selection criteria and start with the selection of projects. This has in effect renewed interest from external partners with regards to the setting up and shaping of the Audit Authorities and accelerated preparatory activities.

b. Norfolk Audit Services was appointed as Independent Audit Body (IAB) by DCLG on 27 October 2015. The role of the IAB is to formulate an opinion on the management and controls system the Managing Authority and Certifying Authority are planning to implement, to ensure adequate controls will be in place before any claim can be submitted for reimbursement from the EU. Work has already been started on this.

c. Norfolk Audit Services' Terms of Reference have been amended to reflect new responsibilities with regards to auditing of EU funds. These are presented to this Committee as a separate report.

d. A separate audit strategy will be developed with regards to FCE work. The audit strategy will be drafted in compliance with applicable

EU Regulations and international auditing standards and will be submitted to representatives of the French and British Member States for comments. The deadline for the preparation of the FCE audit strategy is 27 June 2016 (8 months from the approval of the cooperation programme (2.28 (a)).

2.25 External Matters of Note

2.26 There are no 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 2015-16 has been set to deliver 100% of audits within budget. At present only 30% of audits are keeping to the original budget, which is being positively managed.

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 2015. The allocation of audit time was based upon a risk assessment and this is continuously reviewed throughout the year.

5.2. There is no relevant input or comments from other committees to include within this report.

Officer Contact

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

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

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Appendix A

Norfolk Audit Services
Final Reports Issued in the Quarter Ended 30 September 2015

There were 3 final reports and 6 grant claims certified during the quarter.

Final Reports

Community and Environmental Services

1. CRC Energy Efficiency Scheme

Schools (Traded)

2. Colman Junior School

Directed School Audit

3. Emneth Nursery

Grants claims certified

1. BDUK (p/e March 2015) MAC
2. BDUK (p/e March 2015) M2C
3. VRA (p/e March 2015)
4. LGA (Fire & CES)
5. PROXIMITY (phase 2) (also includes On The Spot)
6. Police & Crime panel (p/e Sept 2015)

Appendix B

Technical Details

Notes for Section 2

2.1 Satisfaction Questionnaire Feedback received was as follows:

Type of work	**Questionnaires issued**	**Questionnaires received**
Standard audit	8	5
Grants	3	3
Analysis of results:		
	Expectations Met*	**Disappointed or Very Disappointed**
	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.

Audit Committee

Item: 8

Report title:	**Risk Management Report**
Date of meeting:	**28 January 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

Assurance on the effectiveness of risk management and the corporate risk register helps the Committee undertake some of its key responsibilities. Risk management contributes to achieving corporate objectives, and is a key part of the performance management framework.

Executive summary

This report provides the Committee with the Corporate Risk Register at January 2016, along with an update on the Risk Management Strategy 2016-19, and other related matters, following the latest review conducted during December 2015 and January 2016.

Direction

The Re-imagining Norfolk strategy provides council-wide priorities, and these have been developed into some clear outcomes and measures by officers and members. Considering 'being the organisation we need to be', the Council is leading on, and delivering, these changes, and is becoming more strategic with the right attitudes and skills, able to change at pace while shedding cost. The Council is continuing to strengthen governance and performance management, which include effective risk management arrangements. The overall direction should move towards a reduction in corporate risk scores, wherever possible.

Progress

Work is taking place to further develop the performance pyramid, with Norfolk County Council priorities discussed and put forward at the Corporate Leadership Team meeting on 12/11/15. Risk Management continues to be reviewed and strengthened as part of Re-imagining Norfolk.

Overall, corporate risk scores remain generally static. Since the last Audit Committee, further work has been carried out developing risk mitigations and progress reports that are more specific, measurable, achievable, realistic and timed, and aligning the plans and progress reporting more closely with each other. Now that risks and mitigations are more closely aligned to each other, progress against mitigations set can be better identified, moving towards a reduction in risk scores, wherever possible. The goal is to better reflect the significant risks to Norfolk County Council and the actions required to mitigate them.

There are a number of developments that have been introduced since the last Audit Committee Risk Management Report, namely;

- The improved quality of risk registers;
- The definition of corporate and departmental risks;
- Defined roles and responsibilities for those working in the NCC risk community;
- The introduction of financial risk descriptions, developing financial detail into risks;
- A Policy and Resources risk workshop took place in October 2015 to refresh current risks and identify new risks;
- The development of the role of the interim Risk Management Officer, who was recruited in September 2015 – the Risk Management Officer leads on reporting of risk management to service committees and the Policy and Resources Committee.

Since August 2015 when the responsibility for Strategic Risk Management passed over to the Chief Internal Auditor, a Medium Term Risk Management Strategy 2016-19 has been initiated.

The Corporate Risk Register was re-evaluated and integrated back in July 2015, and was reported to the last Audit Committee in September 2015. Policy and Resources manages these risks and the exceptions were reported to the September 2015 Policy and Resources Committee. Since that Committee, the Corporate risk register has been updated to show the latest developments, which are shown in **Appendix A (i) and (ii)**. Appendix A (i) describes the risks and the scoring. Appendix A (ii) describes the tasks to mitigate the risks and the progress with those tasks. Previous corporate risks prior to July 2015 that have not been incorporated into the new Corporate Risk Register have been reintegrated into Departmental Registers for regular review and oversight by the individual departmental senior management teams. A reconciliation of corporate risks from September is shown at **Appendix B,** located at the end of this report.

Risks

We are currently developing a risk dashboard reporting format, in line with the performance management developments for service committees. This will be the future format for reporting corporate risks to this committee, instead of the whole Corporate Risk Register.

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

Explanations for the various scores and terminology can be found in a 'Bite Sized Guide to Risk Management' in the previous Audit Committee meeting September 2015 agenda paper, pages 368-378 here. Risk scores are based on the scoring model found in the Norfolk County Council "Well Managed Risk - Management of Risk Framework.

For ease of reference the risks have been plotted on a heat map, in **Appendix C,** to illustrate each risk's relative position measured by likelihood and impact. As requested at the September 2015 Audit Committee meeting, the risk's potential movement is now documented (i.e. whether the risk is stable (amber), becoming less of a risk (green), or becoming a greater risk (red)), by providing a RAG colour to each risk documented in the risk heat map shown in **Appendix C**.

Recommendations:

Committee Members are asked to:

- Note:
    a. A Risk Management Strategy 2016-19 is being prepared.
    b. The changes to the Corporate Risk Register (**Appendix A (i) and (ii)**, and **Appendix B**)

Comment on:

- the eighteen corporate risks identified and the progress with the mitigating risks

- Consider if any further action is required

1. Proposal (or options)

1.1. The recommendations are in the Executive summary above.

1.2. The County Leadership Team has been consulted in the preparation of the Corporate Risk Register.

2. Evidence

2.1. The criteria for a Corporate Risk Register is that:

- It requires strong management at a corporate level thus the Council Leadership Team should direct any action to be taken
- It 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.

2.2. The criteria for a Departmental Risk Register is that:

- It requires strong management at a departmental level thus the Departmental management Team should direct any action to be taken
- It requires input or responsibility from the Department's 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 departmental objectives and/or suffer a significant financial loss or reputational damage.

Appendix A (i) contains a full description of each Corporate Risk and **Appendix A (ii)** includes the tasks to mitigate and the progress of that mitigation. The Corporate risk register contains three risk scores, with each score expressed as a multiple of the impact and the likelihood of the event occurring.

Appendix B is a reconciliation of the Corporate Risk Register reported in September 2015 to the latest version. **Appendix C** plots the relative scores for each risk in a heat map for ease of reference.

Each risk score is expressed as a multiple of the impact and the likelihood of the event occurring.

- Original risk score – the level of risk exposure before any action is taken.
- Current risk score – the level of risk exposure at the time of review.
- Target risk score – the level of risk exposure that we are prepared to tolerate.

The Target Score is a measure of the risk appetite of the organisation and will vary across the different risks. However, setting appropriate Target Scores is key to directing resources to mitigate the risk. An appetite set too low will require high levels of resource to manage the risk with potentially little reward. An appetite set too high reduces the level of resource required but will lead to greater exposure.

Establishing the correct risk appetite and therefore setting the right Target Score is key to adding value and delivering higher levels of performance.

2.2. There is one risk with a current red risk score:

1. RM005 – The risk that we cannot provide modern desktop equipment that meets the needs of the organisation.

There are two risks with a target red risk score:

1. RM014a - Inability to reduce the amount spent on home to school transport.
2. RM014b - Inability to reduce the amount spent on adult social care transport.

2.3. Risk owners have considered whether the risks will meet the target score by the target date. Eight risks are assessed as "Amber– some concerns" that targets may not be met, and eight are assessed as "Green - on schedule" to meet their target. There are two "Red" rated risks (RM014a and RM014b).

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

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

2.4. Fig. 1. Reflects the percentages of risks in each category.

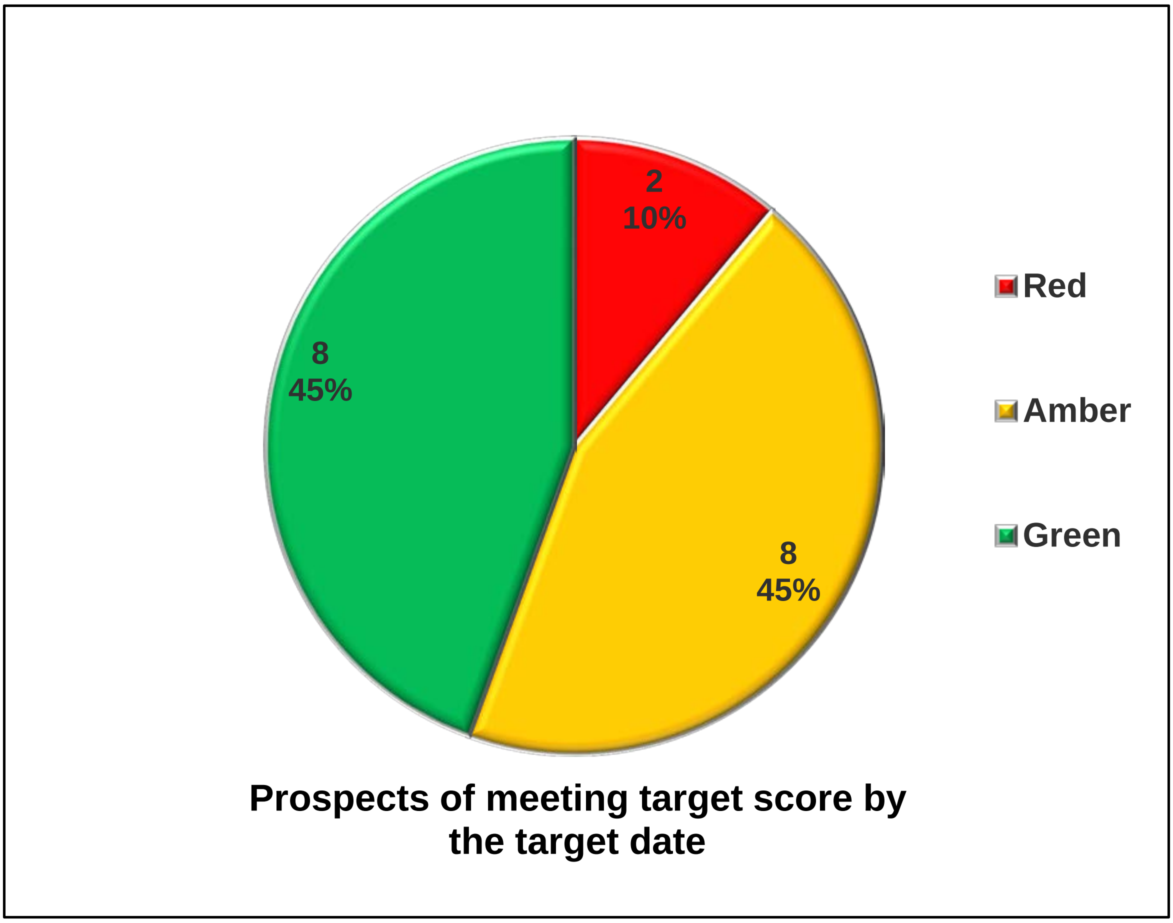

Fig. 1 – A chart to show the RAG rating percentages of meeting target scores.

2.5. Significant changes to the Corporate Risk Register

2.6. Following the recent review there is now:

Three new corporate risks:

1. **RM015 - The risk that we don't have reliable IT infrastructure;**
2. **RM017 - Failure to construct and deliver Norwich Northern Distributor Route (NDR) within agreed budget (£178.55m);**
3. **RM018 - Failure to make the required improvements leading to take-over of Children's Services.**

Two promoted risks, with one promoted risk now split into two:

1. **RM014a - Inability to reduce the amount spent on home to school transport** (promoted to be recorded on the Corporate risk register)**;**
2. **RM014b - Inability to reduce the amount spent on adult social care transport** (promoted to be recorded on the Corporate risk register).
3. **RM016 - Failure to adequately embed Business Continuity into the organisation.**

One downgraded risk:

1. **RM012 - The potential risk of a negative outcome of the Judicial Review into fee uplift to care providers** (downgraded to be managed on the Adult Social Services risk register).

No closed risks.

3. Risk management reporting to Committees

3.1 As a result of a recommendation from the Chairman and Members it was agreed that all departmental risks should be formally reviewed at the appropriate committees.

3.2 The recent round of Performance Reports to Committees have included a specific section on risk management highlighting all departmental risks. The reporting is by exception, including full information for risks with a current risk score of 12 and above where the prospects of meeting the target score by the target date is reported as amber or red. A risk report is presented to each Committee on a quarterly basis, at the same time as the Performance Report.

3. Financial Implications

4.1 There are no financial implications other than those identified within the risk register. The financial implications of corporate risks are reported to the Policy and Resources Committee.

4. Issues, risks and innovation

5.1 There are no further corporate risks than those described elsewhere in this report. The Risk Management Strategy 2016-19 includes best practice. The intention is to promote the benchmarking of the function from ‘Highly rated against peers’ to ‘world class’.

5. Background

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

Officer Contact

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

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	Corporate Risk Register - Norfolk County Council			**Appendix A (i) - Corporate Risk Register (Scores)**																
	Risk Register Name		**Corporate Risk Register, Appendix A(i)**													**Red**				
	Prepared by		**Thomas Osborne**								**High**					**Amber**				
	Date of review and/or update		**December 2015 / January 2016**								**Med**					**Green**				
	Next update due		**February 2016**								**Low**					**Met**				
CDG	**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**	**Target Likelihood**	**Target Impact**	**Target Risk Score**	**Target Date**	**Prospects of meeting Target Risk Score by Target Date**	**Risk Owner**	**Reviewed and/or updated by**	**Date of review and/or update**	
C	CES	RM001	The potential risk that County Infrastructure is not delivered at the required rate to support existing and future needs.	There is a risk that the necessary infrastructure (including but not limited to transportation, community, school and green infrastructure) will not be delivered at the required level and/or rate to support the existing population and to support and stimulate future growth, as set out in Local Plans.	01/07/2015	3	5	15	3	4	12	2	3	6	30/06/2016	**Amber**	Tom McCabe	Fiona McDiarmid	11/01/2016	

C	Finance	RM002	The potential risk of failure to manage significant reductions in local and national income streams	This may arise from global or local economic circumstances, government policy on public sector budgets and funding. As a result there is a risk that the Medium Term Financial Plan savings required for 2014/15- 2016/17 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.	01/07/2015	3	5	15	3	5	15	3	4	12	15/02/2016	**Green**	Simon George	Harvey Bullen	18/01/2016
C	Resources	RM003	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practices.	There is a risk of failing to comply with statutory and/(or) national/local codes of practices in relation to Information Compliance. This could lead to significant reputational and financial risk for NCC.	01/07/2015	3	5	15	3	5	15	1	4	4	30/09/2016	**Amber**	Anne Gibson	Mark Crannage	14/01/2016

C	Resources	RM004	The potential risk of failure to deliver effective and robust contract management for commissioned services.	Ineffective contract management leads to wasted expenditure, poor quality, unanticipated supplier default or contractual or legal disputes The financial implications can be drawn from the Contracts and Grants Register published on the Council's website. The Council plans to spend just under £0.5bn on Agency and Contracted Services in 2015-16.	01/07/2015	3	4	12	3	4	12	2	3	6	30/09/2016	**Amber**	Anne Gibson	Al Collier	19/01/2016
C	Resources	RM005	The risk that we cannot provide modern desktop equipment that meets the needs of the organisation	The failure to provide modern desktop equipment will result in the organisation not fully realising the benefit of the solutions provided. This will result in reduced savings and missed opportunities and services to support the delivery of key business.	01/07/2015	4	4	16	4	4	16	2	4	8	30/09/2016	**Amber**	Anne Gibson	Steve Leggetter	02/12/2015
C	CLT	RM006	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2016/17	The failure in strategic planning meaning the Council lacks clear direction for resource use and either over-spends, requiring the need for reactive savings during the life of the plan, or spends limited resources unwisely, to the detriment of local communities.	01/07/2015	3	5	15	1	5	5	1	5	5	28/02/2016	**Green**	Wendy Thomson	Debbie Bartlett	19/01/2016

C	Resources	RM007	Potential risk of orginial failure due to data quality issues.	Failure to manage the data quality will prevent us from ensuring that data relating to key Council priorities is robust and valid. This places the Council at risk of making decisions using data that is not always as robust as it should be. This may lead to poor or ineffective commissioning, flawed decision making and increased vulnerability of clients, service users and staff.	01/07/2015	3	5	15	3	5	15	2	2	4	30/09/2016	**Amber**	Anne Gibson	Mark Crannage	10/12/2015
C	Resources	RM008	The potential risk of failure to deliver effective procurement processes.	Failure to engage members or senior officers effectively at an early stage in tendering or contract extension, or to maintain engagement, or failure to deliver a robust procurement process, leads to commissioned services which are politically unacceptable, poor value for money, undeliverable or a poor fit with our strategic direction, or leaves us open to legal challenge and a risk of substantial damages. The financial implications are that the Council plans to spend £141m on Supplies and Services in 2015-16.	01/07/2015	3	4	12	2	4	8	2	3	6	30/04/2016	**Green**	Anne Gibson	Al Collier	10/12/2015

C	CLT	RM009	The potential risk of failure of corporate governance and leadership.	Failure of corporate governance may result in poor or rushed decision making, disengaged members and officers and reputational damage. This could lead to the Council being unable to carry out its duties in an effective manner and possible non-compliance with legislation and regulations.	01/07/2015	3	4	12	3	4	12	1	4	4	31/03/2016	**Green**	Wendy Thomson	Anne Gibson	08/12/2015
C	Resources	RM010	The potential risk of the loss of key ICT systems including loss of internet connection and the ability to communicate with Cloud provided services.	Loss of core / key ICT systems, communications or utilities for a significant period could impact on the delivery of critical services and restrict our ability to communicate over the internet. This will result in a failure to deliver IT based services leading to a loss of reputation, service delivery and additional costs. Loss of PSN Accreditation (detailed in the Annual Governance Statement 2014-15)	02/09/2015	3	4	12	3	4	12	1	3	3	30/09/2016	**Amber**	Anne Gibson	Steve Leggetter	02/12/2015

C	Resources	RM011	The potential risk of failure to implement and adhere to an effective and robust performance management framework.	The failure of leadership to adhere to robust corporate performance practice / guidance, resulting in organisational / service performance issues not being identified and addressed. This will have a detrimental impact on future improvement plans and overall performance and reputation of the Council.	02/09/2015	3	4	12	3	4	12	1	3	3	31/03/2016	**Amber**	Anne Gibson	Audrey Sharp / Kerry Furness	26/11/2015
C	CLT	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.	The failure of governance leading to controlled entities: Non Compliance with relevant laws (Companies Act or other) Incuring 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 2014-15, from page 88, covering Group Accounts available on the Council's website at http://www.norfolk.gov.uk/view/NCC167254	02/09/2015	1	4	4	1	4	4	1	4	4	31/03/2016	**Green**	Wendy Thomson	Simon George	19/01/2016

C	Children's Services	RM014a	Inability to reduce the amount spent on home to school transport	Rising transport costs, the nature of the demand-led service (particularly for students with special needs) and the inability to reduce the need for transport or the distance travelled will result in a continued overspend on the home to school transport budgets and an inability to reduce costs.	04/11/2015	3	3	9	4	3	12	2	3	6	31/03/2017	Red	Don Evans	Don Evans	18/11/15
C	Adult's Services	RM014b	Inability to reduce the amount spent on adult social care transport	Rising transport costs, the nature of the demand-led service (particularly for adults with special needs) and the inability to reduce the need for transport or the distance travelled will result in a continued overspend on the adult social care transport budgets and an inability to reduce costs.	04/11/2015	3	3	9	4	3	12	2	3	6	31/03/2017	Red	Janice Dane	Catherine Underwood	18/11/15
C	Resources	RM015	The risk that we don't have reliable IT infrastructure	The failure to provide a reliable IT infrastructure will result in the organisation not fully realising the benefit of the solutions provided. This will result in reduced savings and missed opportunities and services to support the delivery of key business.	10/11/2015	3	4	12	3	4	12	2	3	6	10/11/2016	Green	Anne Gibson	Steve Leggetter	02/12/2015

C	CR	RM016	Failure to adequately embed Business Continuity into the organisation.	To ensure disruption is minimised and ensure that we are able to maintain services and respond appropriately to a significant (category 1 or 2 Business Continuity incident) (N.B. this risk will be scored differently for different departments due to different levels of preparedness).	10/12/2015	2	5	10	2	5	10	2	3	6	31/06/2016	**Green**	Tom McCabe	Emma Tipple	10/12/2015
C	Corporate (CES)	RM017	Failure to construct and deliver Norwich Northern Distributor Route (NDR) within agreed budget (£178.55m)	There is a risk that the NDR will not be constructed and delivered within budget. Cause: environmental / building contractor factors affecting construction progress. Event: The NDR is completed at a cost greater than the agreed budget. Effect: Failure to construct and deliver the NDR within budget would result in the inability to deliver other elements proposed in the Norwich Area Transport Strategy (NATS) Implementation Plan. It would also result in a reduction in delivering economic development and negatively impact on Norfolk County Council's reputation. Exceeding the budget will also potentially impact wider NCC budgets and its ability to deliver other highway projects or wider services (depending on the scale of any overspend).	26/11/2015	3	3	9	3	3	9	2	2	4	12/02/2018	**Green**	Tom McCabe	David Allfrey	15/01/2016
C	Children's Services	RM018	Failure to make the required improvements leading to take-over of Children's Sevices	The Government has announced reforms which open up the possibility for failing Children's Services to be taken-over by high-performing LAs or Charities. Having received a second successive inadequate grading from Ofsted NCS is at a heightened vulnerability to this course of action.	22/12/2015	3	5	15	3	5	15	2	5	10	31/03/2016	**Amber**	Michael Rosen	Don Evans	22/12/2015

Corporate Risk Register - Norfolk County Council **Appendix A (ii) - Corporate Risk Register (Tasks and Progress)**

Risk Register Name	Corporate Risk Register, Appendix A(ii)		Red
Prepared by	Thomas Osborne	High	Amber
Date of review and/or update	December 2015 / January 2016	Med	Green
Next update due	February 2016	Low	Met

CDG	Area	Risk Number	Risk Name	Current Likelihood	Current Impact	Current Risk Score	Tasks to mitigate the risk	Progress update	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Reviewed and/or updated by	Date of review and/or update
C	CES	RM001	The potential risk that County Infrastructure is not delivered at the required rate to support existing and future needs.	3	4	12	1) Ensure appropriate infrastructure planning is undertaken and documented 2) Continue to investigate all possible funding sources including UK government, European Union and developer 3) Maintain and improve lobbying of government 4) Work in partnership with the district councils who have a Community Infrastructure Levy (CIL) in place to ensure the most effective use of the income 5) Ensure appropriate arrangements are in place for the collection of developer contributions 6) Ensure all the Local Growth Fund allocations from the New Anglia Local Enterprise Partnership, and other funding sources, are spent on appropriate infrastructure and to the agreed timescales 7) Continue to work with Highways England to ensure the RIS is delivered to the agreed timetables Overall risk treatment: reduce	1) Infrastructure planning is carried out in conjunction with the seven Local Planning Authorities and via the Greater Norwich Growth Board in terms of devising appropriate Local Plans. In addition, this is complemented by strategic transport planning carried out by NCC. 2) Close working with the New Anglia Local Enterprise Partnership, colleagues in EDS (European funding) and Developer Services. 3) NCC campaigns with the support of MP's have achieved a higher recognition for the A47 and the inclusion of key transport infrastructure schemes into governments Roads Investment Strategy (RIS). 4) CIL is only currently in place in Norwich, Broadland and South Norfolk and we are working through the Greater Norwich Growth Board (GNGB) to influence the priorities. 5) NCC ensures that development contributions are maximised within the extent of the planning framework. 6) Scheme development work is underway for many projects but others are yet to be fully defined. Some of the most advanced projects e.g. Golden Ball Street have slipped from the original funding profile so this could be a risk for others that are currently being developed. Some NCC staff resources are already stretched on developing the schemes and so it might be difficult to fully staff the remaining projects. A greater reliance will need to be put on the Mouchel partnership. 7) Regular progress meetings are held with the HE in addition to scheme specific meetings.	2	3	6	30/06/2016	Amber	Tom McCabe	Fiona McDiarmid	11/01/2016
C	Finance	RM002	The potential risk of failure to manage significant reductions in local and national income streams	3	5	15	Medium term financial strategy and robust budget setting within available resources. No surprises through effective budget management for both revenue and capital. Budget owners accountable for managing within set resources. Determine and prioritise commissioning outcomes against available resources and delivery of value for money. Regular and robust monitoring and tracking of in-year budget savings by CLT and members. Regular finance monitoring reports to Committees. Close monitoring of central government grant terms and conditions to ensure that these are met to receive grants. Plans to be adjusted accordingly once the most up to date data has been received. Overall risk treatment: reduce	Re-Imagining Norfolk - Service and Financial Planning 2016-19 for Policy Resources reported to Policy and Resources Committee on 26 October 2015 with further reports planned for future committee meetings in preparation for the February County Council budget decision. 2015/16 Financial Savings and Monitoring reports reported to the October Policy and Resources Committee. Watching brief on Government's spending review occurred on 25 November 2015 and provisional local government finance settlement took place in mid-December. Plans have been adjusted accordingly and will be presented to the P&R Committee on 08.02.16. Discussions taking place with the district councils to ensure the financial plan reflects the latest forecasts of council tax and business rates.	3	4	12	15/02/2016	Green	Simon George	Harvey Bullen	18/01/2016

C	Resources	RM003	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practices.	3	5	15	1) Information Management Strategy Information Governance Framework: Data Protection Information Sharing Freedom of Information Records Management Managing Information Risk Information Security 2) Information Compliance Group (ICG) has the remit to ensure the overarching Information Governance Framework is embedded within business services and NCC. 3) Ensure 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) Mandated E-Learning Data Protection 3 year refresher data - Information sent to CLT and CLG on a monthly basis for review and action 5) NCC is PSN accredited 6) NCC is NHS Information Governance Toolkit compliant to Level 2 7) The implementation of a corporate Records Management solution 8) The implementation of a corporate Identity and Access Management solution 9) Completion of the Caldicott audit recommendations. Action Owner - Don Evans, Children's Services. Overall risk treatment: reduce	1) The governance framework has been agreed by CLT. The proposal has been agreed by CLT, and the IM Team are now working with Adult and Children's Services to implement this. 2) The new data breaches procedure has been agreed by CLT and the ICG. The procedure is implemented and is now monitored via the ICG. 3) Reports to the ICG and CLT have now been introduced. Reports to DMTS will be introduced by February 2016 4) Formal plans are being drawn up for Organisation Compliance Status. The anticipated date for their completion is to be confirmed. 5) Information is being sent to CLG and CLT on a monthly basis. 8) • Phase 1 of the implementation of a corporate Identity and Access Management solution completed in October 2015. 9) Completion of the Caldicott audit recommendations is in progress.	1	4	4	30/09/2016	**Amber**	Anne Gibson	Mark Crannage	14/01/2015
C	Resources	RM004	The potential risk of failure to deliver effective and robust contract management for commissioned services.	3	4	12	1) Appoint a senior manager in procurement to act as head of profession for contract management so that there is senior focus on key contracts reducing the likelihood of unanticipated supplier default or contractual or legal disputes, and so that value for money is ensured; 2) Review of contract administration processes in social care so that they are automated wherever possible, and so that contract data is available to assist with contract management; 3) Review supplier management processes to ensure that they are congruent with Information Technology Infrastructure Library (ITIL) and with corporate standards. 4) Host a kick-off workshop for adults resilience strategy. Overall risk treatment: reduce	1) Recruitment of senior manager commenced – start date anticipated early 2016; 2) Review of social care contract administration processes under way – use of new software starts September 2016; 3) Review of ICT supplier management processes under way; 4) A kick-off workshop for adults resilience strategy took place on 22/9/15	2	3	6	30/09/2016	**Amber**	Anne Gibson	Al Collier	19/01/2016
C	Resources	RM005	The risk that we cannot provide modern desktop equipment that meets the needs of the organisation	4	4	16	Legacy Windows XP computers to be switched off and removed from the network on 30.11.15 to remain PSN compliant Roll-out a modern desktop device with alternative devices where needed (e.g. power laptop) We resolve existing problems identified during roll-out. We have an ICT strategy for each directorate to identify future demands; business change and allow sufficient lead time to implement support changes We provide collaboration tools The cost of ICT needs to be within the DNA OBC cost model Devices are kept up to date through patch management and upgrades to software We package services to communities, SME's and the voluntary sector. Overall risk treatment: reduce	-XP global switch-off occured. A small number of exceptions have been agreed with Cabinet Office. These are being managed with a plan in place. -A project has now been instigated to address issues with Remote Access in line with the Customer feedback -Project for voice and data network in place and on track - The DNA Working Group is established and provides updates as needed to P&R Committee	2	4	8	30/09/2016	**Amber**	Anne Gibson	Steve Leggetter	02/12/2015

C	CLT	RM006	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2016 / 17	1	5	5	Re-Imagining Norfolk is the Council's strategy for change, and provides a clear direction of travel to meet the challenging context for public sector over the next three to five years. Based on that strategy, a new 'County Council Plan' will translate the strategy into action for the next three years. It will be underpinned by annual financial plans with spending targets. Robust challenge and scrutiny process required to test and scrutinise. A new performance framework will drive improvement and delivery. Robust and clear process and evidence for Members to make decisions about prioritising spending options. Robust consultation with public and stakeholders. Feedback from the consultation and engagement to be considered by all Committees in January, when full information about the settlement will be available. The County Council will decide the budget in February. Overall risk treatment: reduce	Three year proposals are set in the context of a strategic approach which sees the Council implement a forward looking programme, recognising the need to prioritise funding, and not retreating to minimum levels of services. Instead focusing on efficiency, income generation, and re-shaping services to focus on four priorities. Feedback from the consultation and engagement to be considered by all Committees in January, when full information about the settlement will be available. County Council will decide the budget in Februrary. Formal consultation with public and stakeholders closed on 14.01.16. Consultation now closed, with Committees considering the findings of the consultation. On 08.02.16, P&R will take an overview of all the findings, the views of committees and make a budget recommendation to Full Council. Budget to be decided in February.	1	5	5	28/02/2016	Green	Wendy Thomson	Debbie Bartlett	19/01/2016
C	Resources	RM007	Potential risk of orginial failure due to data quality issues.	3	5	15	1) Implementation of SIRO (Senior Information Risk Officer) , 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 and fit for purpose to enable managers to make confident and informed decisions. 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. Overall risk treatment: reduce	1) Corporate Information Management Team encompassing Information Management is in place and plans are underway to ensure Information Governance, Records Management and policies confirming responsibilities. 2) A project brief is currently being developed to deliver an Electronic Document and Records Management System and supporting education programme to ensure that information and data held in systems (electronic and paper) is accurate, up to date, comprehensive and fit for purpose to enable managers to make confident and informed decisions.	2	2	4	30/09/2016	Amber	Anne Gibson	Mark Crannage	10/12/2015
C	Resources	RM008	The potential risk of failure to deliver effective procurement processes.	2	4	8	Significant procurements routinely brought to CLT at an early stage to review strategic fit and political implications; Effective corporate contract register in place and regularly reviewed; Clarification re: ownership of each category of spend following recent restructures in service departments. Attendance at Commissioning Academy training for key officers Overall risk treatment: reduce	Significant procurements are now coming to CLT as a matter of course but a process to ensure this is needed; Corporate contract register now in a good state but more work needed on ICT contracts in particular; Clarification of ownership has been picked up by the social care contract management team in procurement.	2	3	6	30/04/2016	Green	Anne Gibson	Al Collier	10/12/2015
C	CLT	RM009	The potential risk of failure of corporate governance and leadership.	3	4	12	The review of the Committee system has strengthened the clarity around member roles and involvement. In particular, it stressed the important role of Group Spokesperson. Committee Forward Plans ensure visibility of forthcoming decisions. The Committee system was brought in to enhance the role of all members who are now all part of the decision making process in a way that could not happen under the previous executive arrangements. The Constitution sets out the roles, responsibilities and role descriptions, and contains provisions relating to committee terms of reference, procedure rules, political and officer management arrangements, roles and responsibilities of Senior Officers, principles of decision making and a scheme of delegation of powers to Officers. The Constitution sets out the Member and Officer Relations Protocol and Codes of Conduct. Report templates and sign off procedures make it clear where the accountability for sign off is. The Council has a S.151 Officer and Deputy Officer in place, ensuring that appropriate advice is given on all financial matters, keeping proper financial records and accounts and for maintaining an effective system of internal financial control. The Head of Law is the Council's Monitoring Officer. The roles and responsibilities of the Monitoring Officer are set out in legislation and are reiterated in the Council's Constitution and the Job Description and Person Specification for that post. Members are supported through Personal Development Plans and the MSDAG and the Training Plan. Financial regulations and other control documents are regularly reviewed to ensure they are appropriate. Publicity is given to the whistle blowing procedures as part of the Fraud and Corruption Strategy - a dedicated telephone contact is published to raise concerns. This policy is to be reviewed. The Audit Committee reviews the Annual Governance Statement and the effectiveness of internal controls. Overall risk treatment: reduce	The officer decision record form and associated guidance is being rolled out. The whistleblowing Policy review is to be reported to the Audit Committee by 28/1/16. A review of Performance Management framework has been undertaken and strengthened performance management and reporting are being put in place during Autumn / Winter 2015. The Council publishes an Annual Governance Statement - the process to review and develop the statement is being strengthened during 15/16, with greater engagement of the County Leadership Group at an early stage. This policy is being reviewed.	1	4	4	31/03/2016	Green	Wendy Thomson	Anne Gibson	08/12/2015

C	Resources	RM010	The potential risk of the loss of key ICT systems including loss of internet connection and the ability to communicate with Cloud provided services.	3	4	12	-Full power down in June 2015; -Catalogue key ICT systems by 30th Sept; -Determine Recovery Time Objectives ("How long to restore", Recovery Point Objectives, "acceptable amount of data loss") with business owners by 31st Oct; -develop rolling Disaster Recovery test schedule by 30th Nov; -determine target location for CareFirst and Oracle e-Business Suite; -Complete voice and data network re-procurement by 31st Dec to mitigate resilience issues within Good for Enterprise Mobile device. Achieve accreditation to accelerate Windows 8.1 device deployment, and where not possible deploying thin client software (where device cannot be replaced in time) To increase the pace of deployment so that XP devices can be removed sooner Deploying Windows 7 where appropriate Actively working with Public Services Network Authority that need to be assured that improvements have been put in place before they will issue a certificate. Overall risk treatment: reduce	-Full power down completed and procedures updated from lessons learned -RTOs now documented -Rolling Disaster Recovery test schedule developed needs further development. Discussions with Continuity Manager. -Costed options are now available for C/F and Oracle eBS. Work progressing on alternative ERP solutions. Paper to CLT on 17th December. -Project for voice and data network in place and on track. -Device deployment completed.	1	3	3	30/09/2016	Amber	Anne Gibson	Steve Leggetter	02/12/2015
C	Resources	RM011	The potential risk of failure to implement and adhere to an effective and robust performance management framework.	3	4	12	A new senior officer appraisal scheme has been introduced for 2015-16. Framework of expectations set out for all for senior managers - including common leadership objectives, and a set of behavioural expectations (as part of the revised ways of working). A refreshed tool kit is being developed to ensure we consistently assess senior officer competence and address gaps, including ensuring all DMTs have a common set of functional accountablities - with named senior mangagers. There is also a comprehensive skills development programme underway of workshops to increase skill in managers in having robust performance conversations. The programme should be complete by end of March 2016 - will need robust follow up and evaluation to ensure this learning and practice is embedded day to day across the organsiation. An audit / review of the people aspects of performance management is planned in Spring 2016 and a summary of this will be shaped with CLT/CLG early in the new year. Overall risk treatment: reduce.	Performance conversation Workshop 1 - So far approximately 50 sessions have been completed covering around 500 managers. Evaluation feedback has been that this is a valuable investment and will help improve managers skills - 87% stated that it would support them in having better quality conversations around performance; both with my team and with others I want to challenge or influence. A second phase evaluation is underway. We are now following up those who have not attended. To plan with CLT/CLG in January 2016 how we ensure that we embed these skills and that the quality of all performance conversations is consistently high (with evidence based discussions being key). Also that the this fits with the wider strategy around performance management improvement. An audit is being planned for the spring of next year 2016- to assess and check progress on our people performance management practice.	1	3	3	31/03/2016	Amber	Anne Gibson	Audrey Sharp / Kerry Furness	26/11/2015
C	CLT	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.	1	4	4	All controlled entities and subsidiary companies have a system of governance which is the responsibility of their Board of Directors. The Council needs to ensure that it has given clear direction of it's policy, ambitions and expectations of the controlled entities. The NORSE Group objectives are for Business Growth and Diversification of business to spread risks. Risks are recorded on the Group's risk register. The NORSE board includes a Council Member and is currently chaired by the Executive Director of Resources of the Council. There is a shareholder committee comprised of six Members. 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. 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 are reviewed regularly and included in the annual business plan approved by the Board. NORSE has 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. The Executive Director of CES undertakes a strategic relationship role on behalf of CLT checking there is a consistency in the client side management. Overall risk treatment: reduce	There are regular Board meetings, share holder meetings and reporting as required. The Norse Group follows the guidance issued by the Institute of Directors for Unlisted Companies where appropriate for a wholly owned local authority company. The Council is reviewing its framework of controls to ensure it is meeting its Teckal requirements in terms of governance and control.	1	4	4	31/03/2016	Green	Wendy Thomson	Simon George	19/01/2016
C	Children's Services	RM014a	Inability to reduce the amount spent on home to school transport	4	3	12	Continue to enforce education transport policy, and work with commissioners re school placements. Continually review the transport networks, to look for integration and efficiency opportunities. Work with Norse to reduce transport costs and ensure the fleet is used efficiently and effectively. Look for further, more innovative, ways to plan, procure and integrate transport. Overall risk treatment: reduce	Conversations with SEN commissioners in Children's Services on-going. Consultant has been 'recruited' to help deliver new Inclusion strategy, including SEN transport savings. New School Inclusion Strategy should help to reduce the number of children accessing alternative specialist provision, but this will not really kick in until 2016/17 SEN budget has been split down to lower levels and regular data is being sent to decision-makers in Children's Services to enable further transparency and better budget monitoring. While student numbers continue to decrease in secondary and Post 16 education, spend is reducing.	2	3	6	31/03/2017	Red	Don Evans	Richard Snowden and Michael Bateman	18/11/15

C	Adult's Services	RM014b	Inability to reduce the amount spent on adult social care transport	4	3	12	Work with Adult Services to reduce the amount of transport needed, including highlighting high cost cases and unusual journey requirements. Continually review the transport networks, to look for integration and efficiency opportunities. Work with Norse to reduce transport costs and ensure the fleet is used efficiently and effectively. Look for further, more innovative, ways to plan, procure and integrate transport. Overall risk treatment: reduce	One FTE in H&T now dedicated to helping ASSD transport savings programme. Regular data and costs are being sent to ASSD managers. ASSD have set up project governance and are working on analysing activity data, but problem remains that reviews of service users are not taking place quickly enough to progress change - ASSD SMT are aware.	2	3	6	31/03/2017	Red	Harold Bodmer	Janice Dane	18/11/15
C	Resources	RM015	The risk that we don't have reliable IT infrastructure	3	4	12	1. Replace the existing Voice and Data network Server Migration: 2. Migrate win-tel servers to a tier-3 data centre 3. Migrate Oracle ebusiness suite; CareFirst to a tier-3 data centre 4. Decision needed on Highways Management system and whether it should be left 5. Migrate telephony servers from the basement 6. Migrate schools infrastructure from the basement Overall risk treatment: reduce	1. Awarding of the Voice and data network contract. 2. Design issues remain with HP solution. These were scheduled to be included in a paper to CLT on 17th December. 3. Decision at CLT on 17th December. 4. Highways management system support will be in place 5. Telephone servers are in scope of Voice and Data Network project 6. Schools infrastructure servers are in scope of Voice and Data Network project.	2	3	6	10/11/2016	Green	Anne Gibson	Steve Leggetter	02/12/2015
C	CR	RM016	Failure to adequately embed Business Continuity into the organisation.	2	5	10	All corporately agreed critical activities must have comprehensive Business Continuity plans. Plans to be agreed at Senior Management Team (SMT) meetings and then a plan of action created to ensure they are in place.	We have plans in place across all departments. There are some gaps - currently approximately 70% complete. We have made Chief Officers aware of this. The window for Business Impact analysis was September- December 2015. We audit the quality of plans and provide additional support where required.	2	3	6	31/06/2016	Green	Tom McCabe	Emma Tipple	10/12/2015
							That departments are represented at Business Continuity Management Board meetings, that training is completed and that the department complete exercises/tests.	Most departments are represented at meetings regularly. A programme of training and exercising needs to be presented to the BCMB by January 2016.								
							No notice exercise with CSC at work area recovery (WAR) site. Also, a test of the SMG to exercise revised Business Continuity plan and operational arrangements for the new team.	Full no-notice ex has been delayed as a result of changes in layout and equipment available for use at the WAR, new requirements around this are being assessed in order to review plans and looking possibly to mid 2016 for this large scale exercise.								
							Ensure key processes are documented and "process maps" written for critical activities, enabling others who are less familiar with tasks to complete or support activities. Note: Linked to RM14084 on Information Management Risk Register.									
							Complete a Business Impact Analysis every two years and review risks which could affect critical activities.	BIA review on track to complete at last update.								
							To review Business Continuity E-Learning Course, update and relaunch, monitoring uptake. Overall risk treatment: reduce	Funding is now available for a corporate e-learning. Therefore we have refreshed and updated our e-learning and this is now available. Although quite basic we plan to promote the e-learning module across the organisation within the next quarter.								

C	Corporate (CES)	RM017	Failure to construct and deliver Norwich Northern Distributor Route (NDR) within agreed budget (£178.55m)	3	3	9	The total project cost, not including the Postwick junction which is already being delivered, is £151.25m. 1) A project Board and associated governance mechanisms to be put in place. Monthly reporting will be provided to the Board (Chaired by Tom McCabe). 2) A project team is to be developed to include sufficient client commercial scrutiny throughout the works by Balfour Beatty, which will include a commercial project manager. 3) Main clearance works, archaelogical investigation and utility diversions planned for start on 4 January 2016. This will enable main construction to meet start planned for March 2016 to keep programme as short as possible. 4) Project controls and client team to be assembled to ensure sufficient systems and staffing in place to monitor costs throughout delivery of project. 5) A cost reduction opportunity meeting is to be held. 6) The agreed target cost reflects the risks owned by the contractor (BB) and therefore the target price covers the cost of those risks should they arise. For risks owned by the client (NCC) no allowance is included in the target cost and if they occur the contractor would be entitled to a Compensation Event to cover the cost. A contingency allowance for risks owned by NCC is included in the overall budget. The contract has been let under standard NEC Option C terms, which includes for a Target Cost with "Pain / Gain" mechanism, providing an incentive for all parties to deliver the project below the agreed Target Cost. Any 'gain' is shared and any 'pain' due to cost overrun is also shared. Overall risk treatment: reduce	1) A project Board and associated governance mechanisms are in place and monthly reporting will be provided to the Board (Chaired by Tom McCabe). 2) The project team is being developed to include sufficient client commercial scrutiny throughout the works by Balfour Beatty, which will include a commercial project manager.The contract includes significant incentivisation with the intention for the whole delivery team to stay within the available budget. 3) Works start delayed, but some clearance and environmental mitigation able to be started. Main clearance works, archaelogical investigation and utility diversions began on 4 January 2016. 4) Project controls and client team being assembled to ensure sufficient systems and staffing in place to monitor costs throughout delivery of project. 5) All team focussed on reducing costs and further cost reduction opportunity meeting already held. 6) Financial updates will be reported to EDT Committee as part of their wider governance of their capital programme. There will be a monthly report to the Construction Board, that will keep the board informed of progress on spend, and a bi-monthly review of the forecast. There will also be regular (6 monthly) reports to EDT Committee on the broader NDR project.	2	2	4	12/02/2018	Green	Tom McCabe	David Allfrey	15/01/2016
C	Children's Services	RM018	Failure to make the required improvements leading to take-over of Children's Services	3	5	15	Submit a detailed action plan to Ofsted by 26/1/16 which fully addresses all of the reccommendations from the Inspection. Ensure partners are engaged in the construction and delivery of the action plan. Develop an Improvement Plan for the period April 2016-March 2018 which details how NCS will make the transition from 'Inadequate' to 'Good' The risk is further mitigated by the following: - Ofsted took the highly unusual step of grading Leadership & Governance as 'Requires Improvement' when common practice is that an 'Inadequate' grading for any of the other categories automatically dictates an 'Inadequate' grading for Leadership & Governance'. - The Commissioner appointed to Norfolk is an experienced, current Director of Children's Services who has previously Chaired the NCS Improvement Board. As such, he will be keenly aware of the distance travelled by NCS from a very low start-point. Overall risk treatment: reduce	The action plan is being drafted in consultation with partners and will be presented to Members of the Children's Services Committtee prior to submission to Ofsted. Work will commence on development of the new Improvement Plan in February 2016	2	5	10	31/03/2016	Amber	Michael Rosen	Don Evans	22/12/2015

Appendix B

Reconciliation of the September 2015 Corporate Risk Register Reporting to the January 2016 Audit Committee

New risks on the Corporate risk register since the last report

No.	Risk Name
RM015	The risk that we don't have reliable IT infrastructure
RM017	Failure to construct and deliver Norwich Northern Distributor Route (NDR) within agreed budget (£178.55m)
RM018	Failure to make the required improvements leading to take-over of Children's Services

Upgraded risks from Departmental risk registers since the last report

No.	Risk Name
RM014a	Inability to reduce the amount spent on home to school transport
RM014b	Inability to reduce the amount spent on adult social care transport
RM016	Failure to adequately embed Business Continuity into the organisation

Downgraded risks from the Corporate risk register since the last report

No.	Risk Name
RM012	The potential risk of a negative outcome of the Judicial Review into fee uplift to care providers (downgraded to be managed on the Adult Social Services Department risk register).

Closed risks from the Corporate risk register since the last report

No.	Risk Name
-	-

Corporate Strategic Risks - Heat Map

LIKELIHOOD	Insignificant 1	Minor 2	Moderate 3	Major 4	Extreme 5
Almost Certain 5					
Likely 4			14a (A), 14b (A)	5 (G)	
Possible 3			17 (A)	15 (A), 1 (A), 10 (G), 9 (G), 11 (A), 4 (A)	2 (G), 7 (A), 3 (A), 18 (A)
Unlikely 2				8 (A)	16 (A)
Rare 1				13 (A)	6 (A)

IMPACT

Key

(R) = Red (Becoming more of a risk) / (A) = Amber (Risk is stable) / (G) = Green (Becoming less of a risk)

No.	Risk description		
1	The potential risk that County Infrastructure is not delivered at the required rate to support existing and future needs.	8	The potential risk of failure of corporate governance and leadership.
2	The potential risk of failure to manage significant reductions in local and national income streams	9	The potential risk of the loss of key ICT systems including loss of internet connection and the ability to communicate with Cloud provided services.
3	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/or national/local codes of practice.	10	The potential risk of failure to implement and adhere to an effective and robust performance management framework.
4	The potential risk of failure to deliver effective and robust contract management for commissioned services.	11	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.
5	The risk that we cannot provide modern desktop equipment that meets the needs of the organisation.	13	Inability to reduce the amount spent on home to school transport.
6	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2015/16.	14	Inability to reduce the amount spent on adult social care transport.
7	Potential risk of original failure due to data quality issues.	15	The risk that we don't have reliable IT infrastructure.
		16	Failure to adequately embed Business Continuity into the organisation.
		17	Failure to construct and deliver Norwich Northern Distributor Route (NDR) within agreed budget (£178.55m)
		18	Failure to make the required improvements leading to take-over of Children's Services

Audit Committee

Item No 9

Report title:	**Audit Committee Chairman's Report**
Date of meeting:	**28 January 2016**
Responsible Chief Officer:	**Audit Committee Chairman**

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.

This report, which summarises the work of the Audit Committee between 1st April 2015 and 31st December 2015, confirms that its function is consistent with best practice and demonstrates the impact of its work and how it adds value. Its work is reported to full Council.

Executive summary

1. The last Audit Committee Chairman Report was an annual report which was presented at the meeting in June 2015.

2. The Committee fully meets the criteria recommended in CIPFA's checklist for measuring the effectiveness of an Audit Committee.

3. The Committee's work adds value by:

    - Supporting the Council's objectives in achieving a reputation for good governance, sound internal control and good value for money; and

    - Reducing the potential cost burden and operational disruption when risks, internal control weaknesses, frauds or corruption are avoided or mitigated.

4. The Committee promotes the principles of good governance and their application to decision making. It has challenged, scrutinised, championed its functions and provided oversight in accordance with its Terms of Reference. In June 2015 the Committee invited the Assistant Director Early help and Prevention (Adult Social services) to answer questions on corporate risk RM14079 (Failure to meet the long term needs of older people) and the Resilience Manager to provide an update on Resilience measures. In September 2015 the Committee Members had training on the Annual Statement of Accounts 2014-15 and they also requested a report to be presented on Insurance at a future meeting.

5. The Committee has continued to champion and encourage sound risk management in the Council, including how it is reported to members.

and to provide member challenge and review for the Corporate Risk Register. The Committee has encouraged discussion of risk at the service committees and Policy and Resources. At the September 2015 Audit Committee the additions and changes to risks and removal of risks were discussed. The Committee asked that, where risk ratings move from Amber to Red, the relevant Chief Officer is asked to attend the Committee to explain what action is being taken.

6. The Committee helps the Council to implement the values of good governance, including effective arrangements for countering fraud and corruption risks. The Committee has received updates on work to counter fraud and corruption and supports the promotion of the Council's zero tolerance to fraud and corruption. The Committee has recommended that fraud awareness online training is mandated for staff.

7. The Committee is keen to ensure that business resilience, business continuity and emergency planning, including ICT, are well managed. The Committee received a report on this in June 2015.

8. The Committee has considered reports on the governance of the Norfolk Pension Fund to inform its consideration where they are included in the Council's Annual Statement of Accounts.

9. The Committee considered the effectiveness of the governance, control and risk management for Treasury Management when it received a report on this in September 2015. The Committee recommended the Treasury Management panel be returned and that panel has been meeting.

10. The Committee has sought assurance that there are adequate controls over systems access for staff who leave or change job roles.

11. In the light of the Committee's response to the Government's consultation proposals, the Committee has tracked the Government's response to changes in external audit arrangements and the future constitution of this Committee.

12. The Committee continues to develop its role and impact through on-going member training and the development of the Committee's work programme.

13. Further technical details of the Committee's work appear in **Appendix A** for information.

Recommendation:

The Audit Committee should consider if the arrangements are satisfactory and note that the Committee

- is independent of the executive function, reports directly to full Council and has terms of reference that are consistent with CIPFA's guidance and best practice,
- provides effective challenge across the Council and independent assurance on the system of internal control, including the management of risk, to members and the public,

- can demonstrate the impact and value of its work; and
- is monitoring the Secretary of State’s plans for the Future of Local Public Audit.

1. Proposal (or options)

1.1 The proposal is shown at the Executive summary above.

2. Evidence

2.1 Reports have been received from Chief Officers, the External Auditors or were commissioned by the Committee covering a wide range of topics, listed at **Appendix B**. The list comprises all reports from April 2015 to December 2015, for information.

3. Financial Implications

The Committee’s work covers the Council’s and Pension Fund’s Revenue and Capital Expenditure and their Assets & Liabilities.

4. Issues, risks and innovation

4.1. The Committee fully meets and demonstrates best practice for an Audit Committee as promoted by CIPFA in its publication, Audit Committees\Practical Guidance for Local Authorities and Police – 2013 Edition.

4.2. **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.

4.3. The Committee fully supports innovative practice within the overall priorities for robust and efficient internal control, risk management and good governance. The Committee receives and considers reports where new practices are proposed.

4.4. There are no implications with respect to:

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

5. Background

5.1. The Council is required under the Accounts and Audit Regulations (England) 2011 to make provision for internal audit in accordance with "proper practices in relation to internal control". CIPFA, in collaboration with the Chartered Institute of Internal Auditors (CIIA) have produced the UK Public Sector Internal Audit Standards (the Standards) which came into force on 1 April 2013 and replaced the CIPFA Code of Practice. CIPFA, in collaboration with the CIIA, also published in April 2013 the Local Authority Guidance Note (LAGN) for the Standards.

5.2. The Audit Committee was established in 2005; it

- reports directly to full Council and
- has seven members.

5.3. As part of good practice and in accordance with its Terms of Reference (part I3), this report from the Chairman summarises the work of the Committee for the period ended December 2015. This report also confirms that the Committee's function is consistent with best practice, demonstrates the impact of its work and how it adds value.

5.4. Under section 17 of the Crime and Disorder Act 1998, the Council has a statutory general duty to take account of the crime and disorder implications of all of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.

5.5. Internal Audit helps with this by aiming to deter crime, to increase the likelihood of detection through making crime difficult, to increase the risk of detection and prosecution and to reduce the rewards from crime.

5.6. **Background papers**

See **Appendix B** for list of relevant background papers which are available on the Council's Committee Papers webpages.

Officer Contact

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

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

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Appendix A

Technical Details

Section 1 details

1.1 The Audit Committee membership is set out in the Council's Constitution:

"7 Members of the Council, on a politically balanced basis."

1.2 The Committee considered and approved the Council's Accounts and Annual Governance Statement. In accordance with regulations covering the reporting of the Statement of Accounts, the September 2015 meeting received and approved the Council's Annual Governance Statement 2014-15, the Letter of Representation, the Annual Statement of Accounts 2014-15, and the External Auditor Audit Results Report 2014-15. The Committee advises on the adequacy of the assurance framework and that it is deployed efficiently and effectively. It also promotes effective public reporting to the Council's stakeholders, the community and measures to improve transparency and accountability. The Committee has noted with satisfaction the contents of the Audit Results Report of the External Auditor concerning the external audit of the Council's Annual Financial Statements 2014-15, and in particular reference to the unqualified audit opinions on the 2014-15 Statement of Accounts.

1.3 The Committee is contributing to the development of an effective control environment. As an on-going project, the Committee has sought assurance that continued good governance, internal controls and risk management are present in services that are the subject of organisational change as a result of the Council's Transformation Programme.

1.4 The Committee supports the quality of the internal audit activity and underpins its independence when it considers the Annual Internal Audit Report. That annual report demonstrates how the Committee, through the functions of internal audit and risk management contributes to the Council's goals and objectives by helping ensure appropriate governance, risk, control and other assurance arrangements. It also supports the development of robust controls for ensuring value for money.

1.5 The Committee understands the Council's framework for risk assessment, management and the assignment of responsibilities and as well as championing best practice it critically challenges and reviews the corporate risk register to provide assurance that the arrangements are actively working in the Council.

1.6 The Committee benefits from some members with an audit and finance background. The Committee is also able to draw on expert advice when required. Members received a full induction in their role in particular that relating to risk management and reviewed ongoing training needs at their June 2011 meeting. Training has taken place as follows:

- September 2015 – Training on the Approval of the Annual Statement of Accounts and Annual Governance Statement

1.7 The Finance function (including Internal Audit, Strategic Risk and Insurance), the Monitoring Officer, External Audit and the Audit Committee work in partnership to provide a sound base for good governance. The Chairman meets with the Executive Director of Finance and the Chief Internal Auditor.

1.8 The Committee fully meets best practice (from CIPFA) for good governance and the Council can demonstrate that it is effectively delivering the core functions of an audit committee, as identified in the CIPFA guidance and its Terms of Reference.

1.9 This report has summarised the work of the Committee over the period, confirmed that its function is consistent with best practice and has demonstrated the impact and value of the Committee's work. It has regularly reported its work to the full Council.

Appendix B

Reports received by the Audit Committee between 1st April 2015 to 30 31st December 2015.

Report Title	Report By	Meeting date
NAS Quarterly Report Quarter ended 31 December 2014	Executive Director of Finance (Interim)	April 2015
Risk Management Report	Executive Director of Finance (Interim)	April 2015
External Audit - Audit Plan 2014-15 Audit	Executive Director of Finance (Interim)	April 2015
Audit Committee Work Programme	Executive Director of Finance (Interim)	April 2015
NAS Quarterly Report Quarter ended 31 March 2015	Executive Director of Finance	June 2015
Annual Update of the Audit Committee	Chairman of the Audit Committee	June 2015
Monitoring Officer Annual Report 2014-15	Head of Law	June 2015
Annual NAS Report 2014-15	Executive Director of Finance	June 2015
Risk Management Report	Executive Director of Finance	June 2015
Business Continuity	Executive Director of CES	June 2015
Pension Fun – External Auditor's Audit plan 2014-15		
Anti-Fraud and Corruption Update	Head of Law	June 2015
Audit Committee Work Programme	Executive Director of Finance	June 2015
Annual Statement of Accounts 2014-15 and Annual Governance Statement 2014-15 for Approval	Executive Director of Finance	September 2015
Letter of Representation for Statement of Accounts 2014-15	Executive Director of Finance	September 2015
Internal Audit Plan for Quarters 3 and 4 of 2015-16	Executive Director of Finance	September 2015
NAS Quarterly Report Quarter ended 30 June 2015	Executive Director of Finance	September 2015

Norfolk Pension Fund Governance Arrangements	Executive Director of Finance	September 2015
Norfolk CC and Norfolk Pension Fund Audit Results – Audit committee Summary for the year ended 31 March 2015	Executive Director of Finance	September 2015
Governance Control and Risk Management of Treasury Management	Executive Director of Finance	September 2015
Risk Management Report	Executive Director of Finance	September 2015
Audit Committee Work Programme	Executive Director of Finance	September 2015

Audit Committee

Item No 10

Report title:	**Anti-Fraud and Corruption Update**
Date of meeting:	**28 January 2015**
Responsible Chief Officer:	**Practice Director Norfolk Public Law (NPLaw)**

Strategic impact

The Committee takes a lead on the Council's Anti-Fraud and Corruption responsibilities and the implementation of that policy and strategy.

Executive summary

This report provides an update for the Committee on the Council's Anti-Fraud and Corruption activity for the period from April 2015 to December 2015.

Key Messages:

- There are adequate resources to manage the risk of fraud and corruption (2.2)
- All Members have been asked to undertake the e-learning via a Powerpoint version of the anti-fraud e-learning package (2.4)
- There are 426 completions for the Fraud Awareness eLearning and 270 completions for the Fraud Prevention eLearning from April 2014 to present (2.5)
- A Mandatory employee e-learning proposal and business case for Fraud Awareness will be presented to the Managing Director (2.6)
- The Council is fully participating in the latest CIPFA Counter Fraud Benchmarking Club 2015 to inform the Anti-Fraud Agenda (2.9)
- The 2014/15 transparency data for Fraud has been updated (2.11)
- Satisfactory progress is being made with the investigation of NFI matches (2.12)

Cont/..

Cont/..

Recommendation:

The Audit Committee should consider:

- The Anti-Fraud and Corruption Strategy 2014 remains fit for purpose and will be fully reviewed in 2016 to incorporate the latest best practice
- the Anti-Fraud and Corruption Plan at **Appendix A** and; there has been adequate progress to date.

1. Proposal (or options)

1.1 The proposals are set out in the Executive summary above.

2. Evidence

2.1 The Audit Committee approved the January 2014 edition of the Anti-Fraud and Corruption Strategy, its Policies and Guidance at the January 2014 meeting of the Committee. No significant amendments are considered necessary at this time however the documents will be fully reviewed in 2016 to incorporate the latest best practice.

2.2 Adequate resources for Anti-Fraud and Corruption work have been set out in the approved Internal Audit Plan for 2015-16.

2.3 This report provides an update for the Committee on Anti-Fraud and Corruption activity for the period from June to December 2015. The last update was presented to the Committee in June 2015. The profile of the Anti-fraud and Corruption arrangements remain high.

2.4 A “power point” version of the Anti-fraud e-learning has been created and all Members were made aware of, and asked to undertake, the training in the Members Insight issued on 27 November 2015. Members were also asked to advise the Member Support team when they have completed the course, at the time of this report 1 Member has confirmed completion of the course.

2.5 NAS continue to target key finance roles across the authority to promote and increase completion of the e-learning:

a. All Budget Manager Users and Finance staff have been requested to undertake the courses (27 February, 17 June, 1 July 2015 and 17 December respectively) and to encourage staff they are responsible for to undertake them too
Any Budget Manager Users and Finance staff new to the roll since 1 July were also included at 17 December.

b. The completion of courses has increased at 15 December 2015. The total take up is shown in Table 3 below:

Table 3 - eLearning Take-up at 15 December 2015

Fraud Awareness 1/4/2014 – 15/12/2015	
Community and Environmental Services	128
Finance	17
Children's Services	13
Resources	221
Adults	47
Total	426

Fraud Prevention and Detection 1/4/2014 – 15/12/2015	
Community and Environmental Services	46
Finance	11
Children's Services	5
Resources	179
Adults	29
Total	270

2.6 A Mandatory e-learning proposal and business case for Fraud Awareness will be presented to the Managing Director in early 2016.

2.7 Progress is being made with regards to enabling access to, and participation in the Anti-fraud e-learning for Headteachers, Governors and key schools staff. An update will be brought to a future committee meeting.

2.8 TEICCAF ('The European Institute for Combatting Corruption and Fraud') published the results of the annual detected fraud and corruption survey in the "Protecting the English Public Purse 2015" report in June 2015. The report contained a checklist for those responsible for combatting fraud and corruption which has been considered for NCC for which no actions have been identified.

2.9 NCC participated in the CIPFA Counter Fraud and Corruption tracker survey 2015. The results of the survey were received at the beginning of December 2015 and NAS will report any resulting action to a future committee. The CIPFA Counter Fraud Benchmarking Club 2015 Survey was submitted on 20 November 2015. Results are expected in early 2016.

2.10 Managing the risk of procurement fraud guidance has been produced by the Local Government Association and the CIPFA Counter Fraud Centre. The guidance included a Procurement fraud review checklist which has been completed for NCC. The results identified two areas where further work could be undertaken by NAS with the Head of Procurement to demonstrate the effectiveness of processes in place for managing procurement fraud. The Anti-Fraud Plan (**Appendix A**) has been updated accordingly.

2.11 Mandatory information required by the Code on Local Government Transparency has been updated to reflect 2014-15 data, and will be updated gain in June 2016 to reflect 2015-16 data. Work is in progress to investigate the further information that is recommended for publication in the Transparency Code. The outcome will be reported to a future meeting

2.12 All key matches for the National Fraud Initiative have been investigated and investigators are on target to complete all matching reports by the 31st March 2016.

2.13 An audit of Direct Payments was undertaken in August 2015 which included Anti-fraud Analytical Work. Based upon audit work undertaken on actual expenditure assurance was gained that Direct Payments money is being spent appropriately, and that the risk of monies being spent fraudulently is low based on the information available to us.

2.14 An audit of pre-employment checks was undertaken during November 2015, which looked at the controls in place to ensure that checks are undertaken to confirm the validity of references, qualifications (including professional membership) and right to work prior to commencing employment. No significant issues were found.

2.15 During the reporting period the Internal Audit Team have attended Disciplinary Action Review Group meetings, which resulted in preliminary assessment work and two formal investigations by the internal audit team.

2.16 A separate report has been made as part of this agenda regarding updating the NCC Whistleblowing policy and procedure to take account of the National Audit Office Whistleblowing Report - November 2014 and their earlier report ‘Making a Whistleblowing Policy Work dated 8 March 2014.

2.17 At the time of this report the DCLG had not provided direction for Local Councils on the UK Anti-Corruption Plan.

2.18 Norfolk Audit Services plan for future work on Anti-Fraud and Corruption Activity is presented at **Appendix A.** Progress is considered satisfactory.

2.19 Technical details appear in **Appendix B**, for information.

3. Financial Implications

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

4. Issues, risks and innovation

4.1. **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.

4.2. **Resource Implications**

Our resources for Anti Fraud Activity are set out in the Audit Plan agreed in January 2015. It includes 20 days for the "provision of advice and assistance", which is largely aimed at raising awareness and prevention. There is also provision of 40 days to provide specific audits that seek to detect Fraud, which are yet to be decided. We have made no provision for investigations, although we may become involved in some during the course of the year and where we do we will in the first instance charge the relevant service, but there may be a charge on the contingency. Should there be a major investigation additional resource may be sought.

4.3. There are no implications with respect to:

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

5. Background

5.1. It is considered that with the proposed changes to Local Public Audit by the Government the scope of Internal Audit's work for public interest matters, such as fraud or corruption, may well become more significant as the External Auditor's role is limited through cost considerations to the mandatory and regulatory requirements.

5.2. Under section 17 of the Crime and Disorder Act 1998, the Council has a statutory general duty to take into account the crime and disorder implications of all of its work, and to do all that it reasonably can to prevent crime and disorder in Norfolk. The Anti-Fraud and Corruption activity is directly aimed at fulfilling this statutory duty and this report sets out the activity for June to December 2015 and future plans with respect to this work.

5.3. **Background papers**

There were 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, eg equality impact assessment, please get in touch with:

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

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Appendix A

Anti-Fraud Action Plan

For each element of the Strategy there are various actions planned and these are set out below, new ones are underlined. Resources have been allocated to this plan from within the existing audit team and are considered adequate. Progress has been delayed in the reporting period due to managing vacancies within the team.

Prevention Actions are:

• Development and implementation of a plan to fulfil the mandatory training for all staff the ‘Fraud Awareness’ e-learning course and the “Fraud Prevention and Detection” e-learning package for all managers (2.3 and 2.4)

- <u>the Anti-Fraud and Corruption policy, strategy and supporting documents will be fully reviewed in 2016 to incorporate the latest best practice</u>

- <u>Improving evidence available to support the processes and controls for procurement risk identification and assessment and for consideration to be given to including a summary of fraud risks identified and reported as part of audits to Audit Committee as part of the half yearly update</u>

- Assess processes against CIPFA efraud code of practice and any other relevant good practice guidance

- <u>consider data analytics work with TIIA to use expertise and knowledge</u>

- to explore the opportunities and benefits of introducing enhanced employee pre-employment checks

- to explore the development of and strengthen Gifts and Hospitality recording referencing best practice

- continue to develop & promote fraud work to raise fraud awareness across the authority, which include posters, attending team meetings and items in key publications such as Norfolk Manager and Horizon

- publication of the ‘Fraud Awareness’ e-learning course the “Fraud Prevention and Detection” e-learning package for managers on the schools peoplenet

- continued promotion of the Anti-Fraud and Corruption Strategy and associated policies

- to continue to seek to improve our use of data, information and intelligence to further focus our counter-fraud work, in partnership with other teams within NCC, including the Strategic Risk Officer. An anti-fraud analysis audit is included in the 2015-16 audit plan.

- consider increasing the number of qualified Investigators in the Internal Audit team

- add Text and On-line referral to the 'How to Contact Us section of the Anti-Fraud Strategy and facilitate these options

- be alert to the risks of fraud, particularly in growing risk areas, such as Social Care and Direct Payments

- be alert to the risks of organised crime, particularly for procurement

- continue to apply the lessons from the approach encouraged by the Audit Commission's Protecting the Public Purse to tackle housing tenancy fraud, to other types of fraud

- continue to follow good practice and match the successes of others via networks and technical updates. Engage fully with the new CIPFA Counter Fraud Centre

- investigate encouraging the introduction of Anti-Fraud and Corruption champions within departments

- complete a member survey of anti-fraud and corruption arrangements during 2016/17

- continue to work with the wholly owned companies, including NorseCare Ltd, to maintain consistent prevention measures

- further sessions are planned for ,The Anti-Fraud Briefing to a departmental management teams 'Red Flags and Rolled up Sleeves'

Detection Actions include

- ongoing resolution, with other departments of NCC, of "matches" from the 2015-16 NFI exercise.

- An audit of Direct Payments which included Anti-fraud Analytical Work was undertaken in August 2015. Based upon audit work undertaken on actual expenditure assurance was gained that Direct Payments money is being spent appropriately, and that the risk of monies being spent fraudulently is low based on the information provided by the Service User as part of the monitoring processes in place.

- An audit of the validity of references, qualifications (including professional membership) and right to work was undertaken during November 2015

- An audit of cash and banking consisting of unannounced visits will be undertaken in 2016.

Investigations Actions include

- a review of our investigation methodology and our reports, and

- a review the Fraud Response plans.

Sanctions Actions include to continue to progress, and where possible, complete loss recovery plans.

Appendix B

Anti-Fraud Technical Details

Section 1 - Prevention

1.1 The County Council has clear procedures for the checks that need to be performed on new members of staff including identity, right to work, references and qualifications. An audit looking at enhanced pre-employment checks is planned for Quarter 4, 2015/16.

Section 2 – Detection

2.1 The Cabinet Office has taken over the administration of the 2014/15 National Fraud Initiative exercise (NFI) from the Audit Commission to help detect fraud, overpayments and errors.

The 2014-15 NFI exercise is on target to be completed by 31st March 2016, with all key matches having been cleared at the end of December 2015. No significant issues have been identified to date and indicates a positive outcome for NCC.

Section 3 – Investigation

3.1 NAS has engaged the services of a Counter Fraud Officer from Broadland District Council.

Section 4 – Anti-Fraud Benchmarking

4.1 Results of the TEICCAF 2014/15 detected fraud survey have been published in the "Protecting the English Public Purse." The report contained a checklist for those responsible for combatting fraud and corruption which has been considered for NCC for which no actions have been identified.

4.2 NCC participated in the CIPFA Counter Fraud and Corruption tracker survey 2015. The results of the survey have yet to be received. Once the report has been received any resulting action will be taken to the next Committee.

4.3 The CIPFA Counter-fraud Benchmarking Club 2015 Survey has been submitted. Results are expected in early 2016.

Audit Committee

Item No 11

Report title:	**Internal Audit Strategy, Approach, Strategic Plan 2016-2019 and Internal Audit Plan for 2016-17**
Date of meeting:	**28 January 2016**
Responsible Chief Officer:	**Executive Director of Finance**

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, part 4.1 (4.4) page 9, which is part of the Council's Constitution Article 6, at page 5.

The Audit Committee should, 'Consider annually the effectiveness of the system of internal audit including internal audit's strategy, plan and performance and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice'.

Executive summary

This report considers the effectiveness of the system of internal audit relating to Internal Audit's strategy and Annual Plan for 2016-17, that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice.

Norfolk Audit Services fulfils the internal audit function for the Council as required by its own Terms of Reference and the relevant regulations, which are considered annually by the Committee. Internal Audit's work is planned to support the Council's priorities, being:

- Excellence in Education
- Real Jobs
- Good Infrastructure
- Supporting Vulnerable People
- Effective support services

The Internal Audit Strategic Planning:

- supports the Council's priorities (page A6) and New Ways of Working with more transparent charging and costing, critical thinking methods and a business approach more akin to a commercial audit practice

- complements the Council's Medium Term Financial Plan 2015-18 as published in the Council's Budget Book, Page 168.

This report sets out the:

- Requirements (Section 2.1)
- Internal Audit Budget 2016-17 (Section 2.4)
- Internal Audit Strategy 2015-18 (Section 2.9)
- Internal Audit Approach 2016-17 (Section 2.11)
- Strategic Audit Planning 2015-18 (Section 2.14)
- 2016-17 Internal Audit Plan (Section 2.16)

Recommendation:

The Audit Committee is recommended to consider:

- That internal audit's strategy and plan, contribute to an effective system of internal audit and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice

- The strategy and plan being the; Internal Audit Strategy 2015-18 (**Appendix A**), the Approach 2016-17 (**Appendix B**), the Three Year Strategic Audit Planned Days to support the Audit Opinion (**Appendix C**), the Summary Internal Audit Plan 2016-17 for work supporting the Internal Audit Strategy (**Appendix D**) and the Detailed Internal Audit Plan for 2016-17 (**Appendix E**).

1. Proposal (or options)

1.1 The proposal is set out in the Executive Summary above.

2. Evidence

The Requirements

2.1 The top six risk priorities of Norfolk Audit Services activity remain, with some additions (underlined):

- <u>That key NCC management systems are fit for purpose</u>
- That sound financial management, <u>resilience</u> and governance are in place, that there is compliance and where exceptions occur they are identified and treated in a timely manner. <u>This risk is expanded to include where services may not ensure value for money</u>
- The risks associated with transformational change in the organisation are managed. That change objectives (organisational and financial) are met and internal controls and savings are maintained during and after that change
- Anti-Fraud and Corruption work, particularly prevention and detection work (per Fighting Fraud Locally Strategy <u>and the CIPFA Code</u>)

- That assets, physical and information, are secured and controlled effectively, including data quality
- That Commissioning, Procurement and contract management are well governed and achieve value for money.

2.2 During 2016-17 and going forward Internal Audit should be:

- Supporting the Council's priorities (page A6) and New Ways of Working with a very strong internal audit function that is able to operate in a much wider and strategic way, assisting the organization by helping it put in place a more efficient and effective control, performance and governance environment

- Working on progressing and reporting the resolution of Corporate High Priority Internal Audit Findings

- Implementing the France Channel England Audit Authority

- strengthening the traded schools service; and

- working to reorganise the team to exploit any potential collaboration or contracting opportunities that may arise.

2.3 The Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 set out the requirement for expected professional standards for internal audit in local government and the requirement for a risk based internal audit plan.

The Internal Audit Budget 2016-17

2.4 The overall planned internal audit days for the Council for 2016-17 (including contractor days) are 877 days. This is slightly below the 2015-16 revised days of 903, reported in September 2015 (see **Appendix D**).

2.5 Throughout the budget reduction process, an adequate and effective internal audit function has been maintained, as per the requirements of the Accounts and Audit Regulations 2014 and providing the necessary assurance to Members and the external auditors.

2.6 It is the current assessment that the review of all internal processes has delivered all the anticipated reductions in audit days. The generation of additional income may further reduce the net costs in the internal audit budget.

2.7 Following a sustained series of reductions the expenditure budget over in 2016-17 is to be reduced by £50,000 recognising the general budget reductions for the Council, reported in the Council's priorities (page A6).

2.8 The budget plan reflects an unchanged resource requirement except for the work as European Union Audit Authority for the France-Chanel-England (FCE) programme where the cost of the additional resource will be offset by EC income. The involvement of NCC as a Managing Authority for the programme was endorsed by Cabinet on 10 June 2013, as supported by a report highlighting the risks and benefits of such an initiative. The involvement of NAS as an Audit Authority will not only support the successful overall management of the programme but also generate an income for Norfolk Audit Services, some of which will cover existing staffing costs, where existing members of staff are redeployed to the project.

The Internal Audit Strategy 2015-18

2.9 Internal Audit's strategy and planning provides assurance on risk management, internal control and governance which support the Council in achieving its priorities. Internal audit contributes to this by:

- helping to promote a secure and robust internal control environment, including the management and reporting of performance which enables a focus to be maintained on those priorities

- supporting the Council to address the significant governance and control issues that have been identified and reported in some parts of the Council

- recognising the local government environment continues to change and adapt to external drivers, including financial pressures bringing greater risks for the Council to manage

- monitoring the statutory changes to Local Public Audit arrangements

- Ensuring robust and effective Anti-Fraud activity including prevention, detection and investigation continues and the planning makes provision for this.

2.10 Attached as **Appendix A** is the proposed Internal Audit Strategy 2015-18. This Strategy now includes a stronger and clearer approach to how Internal Audit will support the delivery of the Council's priorities. The strategy provides greater clarification of roles, responsibilities and processes, together with how internal audit assess and report on audit outcomes and what measures are in place to hold responsible officers to account to make improvements where required.

The Internal Audit Approach 2016-17

2.11 The Internal Audit Approach translates the strategy into planned work. The audit days to support the strategy for 2016-17 of 877 days (see 2.4) is considered sufficient to support an opinion on the Council's control environment, taking into account the Council's Risk Management, performance management and other assurance procedures. This follows a trend in significant resource reduction being managed since 2008-09.

2.12 The approach is set out in **Appendix B.** <u>That document explains how and why the function operates</u> describing:

- Regulatory Requirements
- Financial and Organisational Changes

- Approach to the Audit Plan 2016-17
- Scoping for 2016-17
- Conclusions

2.13 The audit function aims to provide sound, timely advice that is fair and flexible. To assist the team to share and identify with this vision we have applied the mnemonic ‘STAFF’ to promote this approach.

The Strategic Audit Planning 2015-18

2.14 The Strategic Plan Days for 2015-18 (**Appendix C**) to deliver the work to support the audit opinion has been devised following a risk based approach using the following.

- concerns from Members
- The new Council Structure, approved by Council on 20 October 2014
- the Council’s priorities (page A6)
- the Corporate Risk Register,
- departmental Risk Registers,
- engagement with senior officers,
- review of the External Audit and Inspections reports,
- a review of corporate strategies,
- cumulative audit knowledge and experience,
- engagement with other Heads of Audit and
- Professional judgement on the risk of fraud and error.

2.15 The Strategic Plan is designed to inform this process for providing relevant assurance opinions on systems either in place or developing and providing directional assessments regarding actions required to implement any of the necessary improvements. The days proposed for supporting the Annual Audit Opinion in 2016-17 are 893, shown in Figure 2 below. This again exceeds the calculated available audit resource (of 709) but audits will be undertaken on a risk based prioritisation as described in the plan below.

Figure2. Audit Days - Key Numbers 2016-17

Source:	**Days**
Audit Team Delivery to NCC Total (**Appendix D**) last year at September Plan shown in brackets	877 (1,091)
Audit Team Delivery allocation for audit opinion (Appendix D)	709 (903)
Proposed Overall Audit Plan for Audit Opinion (Appendix C and E)	893 (903)

The Internal Audit Plan for 2016-17

2.16 The authority's own audit days available for 2016-17 are calculated at 877 days (previously 1,410 days), which is considered sufficient to allow the Chief Internal Auditor to form an opinion on the authorities control environment, taking into account the authorities' risk management, performance management and other assurance procedures. This follows a trend in significant resource reduction being managed since 2008-09.

2.17 Using the above sources of information, the Annual Internal Audit Plan for 2016-17 (**Appendix D**) has been drafted to balance the following:

- the requirement to give an independent, objective and evidence based opinion on all aspects of governance, risk management and internal control.
- the requirement for External Audit to place reliance on internal audits of the key financial systems for their annual opinion on the financial statements,
- identified control and governance issues,
- the requirement to inform and support the production of the Annual Governance Statement for the Council,
- best practice is that Internal Audit adds value through improving controls and streamlining processes. The work should have a balance of breadth and depth of scope
- the allocation of time required for responding to queries on control issues,
- the allocation of time required for responding to fraud queries and
- the resource and skill mix available to undertake the work.

2.18 In addition, major changes have continued to take place across the organisation. These include further re-organisation and transformation of the type of services that the Council provides, the new committee system and the new priorities. These changes have been a significant consideration in the preparation of the audit plan and will continue to have a major on-going impact on its delivery on account of the impact that these changes will have on the structure, culture, operational and internal control and risk environment of the Council. However, it is important audit work is carried out on the key systems to provide assurance adequate controls are working as required during this period of change.

2.19 As a result of these on-going changes the audit plan will continue to be constantly revisited during the year and any necessary adjustments made to reflect the changing environment. Chief Officers, senior managers and Members will all have a role to play in this and it is the intention to ensure that regular scheduled meetings take place to discuss these developments, any emerging risks identified as a result of this and any required changes to the plan resulting.

2.20 The Annual Internal Audit Plan for 2016-17 is presented at **Appendix D** and is prepared in accordance with the relevant standards, the requirements, our proposed budget, our strategy, approach and strategic planning.

3. Financial Implications

3.1. The expenditure falls within the parameters of the Annual Budget agreed by the Council. Internal Audit's work provides assurance on the systems and internal controls that manage £1.412bn of Gross Revenue expenditure, £202m Capital Expenditure and £977mm of Assets.

3.2. The three year costing for internal audit remains unchanged, subject to any savings that the Committee may agree in year, no further savings are proposed for 2015-16 beyond staffing savings due to the retirement of two staff during 2014-15. The overall resourcing levels remain unchanged. We will actively maintain traded services and pursue new opportunities when they arise.

3.3. There is a contribution to the fixed costs from the France Channel England Programme Technical Assistance however this is less than anticipated in 2015-16.

4. Issues, risks and innovation

4.1. Issues

Our audit planning is now aligned to the new Council structure approved by Council on 20 October 2014 . and the Council's priorities (page A6) The priorities for the Service Departments, for Resources and Finance are set out clearly in those reports and inform our own planning to support those priorities and objectives.

Our audit planning will take account of any improvement plans and planned savings activity that are in progress and will complement that work where appropriate.

4.2. **Risk implications**

If appropriate systems are not in place or are not effective there is a risk of:

- the Council failing to achieve its corporate objectives
- the Audit Committee not complying with best practice and thereby not functioning in an efficient and effective manner; and
- not meeting statutory requirements to provide adequate and effective systems of internal audit.

These documents underpin the operational performance of Norfolk Audit Services and hence significant changes to these plans would impact on the delivery of the audit service and may put at risk the good reputation of the service. The External Auditor places reliance on the work of internal audit which helps to lower their fees to the Council.

4.3. **Resource Implications**

There are no resources implications in respect of the proposed strategy. However significant changes to the Strategy, Approach and Plan may result in staffing and cost implications. A reduction in overall resources may expose the County Council to inadequate internal audit coverage and in turn to the risk of financial or reputational loss.

4.4. **Legal Implications**

Internal audit work should fulfil the requirement for an internal audit function as described in the Accounts and Audit Regulations 2014.

4.5. There are no implications with respect to:

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

4.6. **Innovation**

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.

Examples of such innovation include contracting PwC to undertake complex ICT auditing, contracting Lafarge Tarmac to undertake Health and Safety auditing and the development of ‘Critical Thinking’ in our audits.

5. Background

5.1. The Council is required under the Accounts and Audit Regulations (England) 2014 to make provision for internal audit in accordance with “proper practices in relation to internal control”. CIPFA, in collaboration with the Chartered Institute of Internal Auditors (CIIA) have produced the UK Public Sector Internal Audit Standards (the Standards) which came into force on 1 April 2013 and replaced the CIPFA Code of Practice. CIPFA, in collaboration with the CIIA, also published in April 2013 the Local Authority Guidance Note (LAGN) for the Standards.

5.2. Under section 17 of the Crime and Disorder Act (1998), the Council has a statutory general duty to take account of the crime and disorder implications of all its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.

5.3. Internal Audit helps this by aiming to deter crime, to increase the likelihood of detection through making crime difficult, to increase the risk of detection and prosecution and to reduce the rewards from crime.

5.4. Internal Audit’s planning has been designed in order to cover higher risk areas, including where weaknesses in controls might increase the risk of theft, fraud or corruption. An action plan is agreed for any weaknesses that are identified during audits, including any which might increase the risk of theft, fraud or corruption. Consideration has been given to the present economic conditions and the Anti-Fraud and Corruption plan and resources are considered adequate.

1. Background papers

The background papers relevant to this report are the Internal Audit Team's Audit Needs Assessment working papers.

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:

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Appendix A

INTERNAL AUDIT STRATEGY 2015-18

The Internal Audit Strategy was last approved at the January 2015 Audit Committee meeting. Since that approval the Managing Director, in her report to Policy and Resources in October 2015, has outline the context of further challenges which local government is facing, and proposed a three year strategy for delivering the Council's priorities and statutory duties with 75% to 85% of current resources.

1. Strategic Impact

1.1 A robust internal audit service is key to ensuring financial management, risk management and governance arrangements of the Council are adequate and effective. It is also key to ensuring that the organisation works efficiently and effectively to develop and deliver services that represent good value for money, deliver the Council's priorities, and improve outcomes for Norfolk people.

1.2 This strategy ensures compliance with relevant Public Sector Internal Audit Standards (UKPSIAS 2014). The Internal Audit Strategy for 2016-17, effective from this Committee's approval, focuses on the delivery of the assurance (opinion) and the internal audit plan to support this opinion. This strategy reflects Internal Audit's contribution to the Council's Re-imagining Norfolk strategy that was agreed by Policy and Resources in June 2015 and fully supports the Council's ambitions and priorities as set out in the report to Policy and Resources on 1 September 2015.

1.3 The purpose of the strategy is to provide a clear direction for internal audit services and creates a clear link between the annual plan and the strategic plan.

1.4 Internal Audit delivery and reporting should be:

- Outcome focussed ensuring the Council is better off
- Linked to strategic priorities
- Focussed on business critical services and processes
- Identifying areas where failure places the organisation in jeopardy
- Linked to financial and performance metrics
- Responding to the key risks of the Council

1.5 There needs to be a consistent cultural change in terms of a shared understanding of internal control and responsibilities. What are the internal controls, who is responsible for them, what are they actively doing to manage them and what measures are in place to hold people to account.

1.6 Committee reports are likely to change in the coming months, focussing on what is important to the Council. The Re-imagining Norfolk Strategy provides council-wide priorities, and these have been developed into some clear outcomes and measures by officers and members. The Council has a lot of data, performance information and risk information that will enable it to manage performance and help define future service delivery. Internal audit must continually seek ways of auditing and working within significant change coming out of Re-imaging Norfolk to ensure that the Council works efficiently and effectively to develop and deliver services that represent good value for money, deliver the Council's priorities, and improve outcomes for Norfolk people.

1.7 Sharper practice is required in:

- Joining up what we audit – so we know where other assurances lie and what we can place alternative assurance on, to make better use of our resource
- Better reporting by further refining our high priority reporting so members and officers are clear on how well we are doing as a Council on implementing audit recommendations
- Desk top reviews of audit topics that have not made the plan, or audit topics that have been postponed to better inform members and officers
- Further developing a culture that means we can have open and challenging performance conversations throughout the organisation – so that people are more aware of our priorities and targets and their responsibilities for delivering them.

1.8 Areas where improvement is required are:

- Clearer accountability in internal audit and within service departments for implementing audit agreed actions
- Issues being raised quickly at the relevant level
- Escalation of any corporately significant concerns to CLT
- Performance information based on what we need for success in the delivery of NCC priorities not just the statutory stuff.

1.9 The success of this will be evidenced by:

- A clear view of the outcomes we are aiming to improve and statutory imperitives we are committed to delivering
- Clear objectives that describe what needs to be done and what success looks like
- Clear accountability, with named officers for each audit action, with established and effective escalation of problems
- A balanced set of performance indicators that measure the right things
- Joined up information – so we know where the key risks are, what assurances are already in place and can be relied upon, and how much work internal audit need to deliver to provide an annual audit opinion and what it will cost
- Better reporting – so members, staff and stakeholders are clear on how we are doing
- An improved performance management culture, awareness, challenge and wider perception and understanding of performance

2. **Delivery of work**

3.1 We aim to deliver the right work, of the right quality, to the right people at the right time and for the right price. There are some overarching strategies to support the delivery of all our services. These are stated below.

3.2 To support and promote the Council's Re-imagining Norfolk strategy, vision, ambitions and priorities in all we do, whilst considering changes resulting from the Council's journey of improving efficiency and modernisation and radically re-shaping its capacity while taking out costs. Policy and Resources 1 September 2015

- Our strategy is to ensure that our delivery of all our services has been influenced by and positively contributes to these developments together with the growing need for wider ranging assurances in all aspects of the Council's operations. We will consider and review the impact of these changes on the Council's Governance, internal control and risks. We will also review the impact of the changes to the efficiency and effectiveness of teams to deliver their services, ensuring that our audits are in the right areas and that service departments are better off through our audits.

- As part of this we aim over the next 3 years to continue to fulfil the financial savings required of the team and to meet the audit delivery targets as defined in our key performance indicators.

We aim to exercise our professional judgement in giving assurance, which points to the future capability of the system of risk management and internal control to help deliver success.

- **Our success is measured through review of the outcomes from audits and the difference we make and how the service department is better off as reported in the Chief Internal Auditor's Annual Internal Audit Report and the reporting of High priority Findings.**

3.3 We plan, organise and control the delivery of all our services to professional standards (UKPSIAS). Delivering sound and timely advice that is fair and flexible**.**

- We work to add value through providing reliable objective assurance and insight on the effectiveness and efficiency of governance, risk management and internal control processes. We aim to challenge and inspire colleagues to improve.

- We aim to create and communicate high quality information about the effective operation of management's controls over risks.

- Our annual audit planning ensures the key areas required by UK PSIAS and the key areas requiring assurance and coverage within the Annual Governance Statement are included and these are matched to our resources in consultation with the Executive Director of Finance, Chief Officers and Members before approval by the Audit Committee.

- We aim to increase the take up of our traded audit services offering to schools, both maintained and academies. Our strategy continues to be to reduce the number of funded audits to schools, allowing our reduced audit resource to be directed elsewhere, but to provide assurances to schools and Children's Services through the growth of our traded work.

- Changes to the approved Internal Audit Plan are also agreed as above and notified to the Audit Committee throughout the year.

- We use our combined experience and knowledge to provide helpful and practical insight and recommendations. We are a catalyst for improving the Council's effectiveness and efficiency based on analysis and assessments of data and business processes.

- The team has a comprehensive set of procedures and templates that are regularly reviewed and approved to ensure a consistent approach to our work.

- Audit work is reviewed to ensure that it is sound, meaning, evidenced based, independent, technically compliant, risk based, timely, and can demonstrate how services are better off through having an audit. We deliver all our services in compliance with the UKPSIAS. We employ quality controls, quality monitoring and quality reviews of our work. Our Internal Audit Terms of Reference, Code of Ethics and this Strategy meets the UKPSIAS.

- We identify audit resources (staff or contractors) with the appropriate skills to deliver the audit service, which meets required professional standards. We are committed to integrity, accountability and high customer care standards. This can involve the use of internal and/or external resources.

- All members of the team above the Senior Auditor level are professionally qualified. All Auditors and Senior Auditors are required to be Association of Accounting Technicians (AAT) or part IIA or CAAB qualified. We provide assistance with training and continuing professional development appropriately for all members of the team.

- We are responding to the ongoing difficulties faced in recruiting the 'right mix of experienced and qualified staff' by developing a 'mixed economy' resource delivery approach that enables us greater resilience and flexibility, especially for unplanned responsive work. The mixed economy consists of experienced in-house staff and call off arrangements with approved Contractors and temporary staff.

- The Authority and the audit team subscribe to professional support forums.

- The Chief Internal Auditor is a member of the County Chief Internal Auditor Network (CCAN), the Home Counties Chief Internal Auditor Group (HCCIAG) and the Norfolk Chief Internal Auditor Group in order to utilise the peer support that these groups provide.

- We have a Quality Assurance Improvement Plan (QAIP) as required by the Standard.

Our success is measured through meeting the Standards and the delivery of the annual Internal Audit Plan within planned resources as

reported in the Chief Internal Auditor's Annual Internal Audit Report and in quarterly updates to the Audit Committee

3.4 To fulfil our Terms of Reference.

Our strategy fully meets and supports the requirements of our Internal Audit Terms of Reference which has been approved by the Audit Committee.

Our success is measured through the review of the outcomes from audits and the difference we make and how the service department is better off as reported in the Chief Internal Auditor's Annual Internal Audit Report. Progress with dealing with high priority findings are reported quarterly to the Corporate Leadership Team to ensure controls are strengthened in a timely manner.

3.5 To comply at all times with our Code of Ethics.

Our strategy fully meets and supports the requirements of our Code of Ethics, which is required by the standard, and has been approved by the Audit Committee

Our success is measured through the review of the outcomes from audits and the difference we make as reported in the Chief Internal Auditor's Annual Internal Audit Report.

3.6 To raise the profile of Internal Audit.

Our strategy is to strive to raise the profile of the team in a positive way at all times. The ways that we do this include:

- Professional advice and support to Members, Chief Officers and the Executive Director of Finance.
- Delivery of our principal services including quality audit reports (draft and final) and Committee reports.
- Attending committee, departmental management team meetings and working groups
- Contributing to Finance's publications and the production of termly school newsletters.
- Actively promoting our traded services to maintained schools and academies.
- Issuing Client Satisfaction Questionnaires for all work that we undertake and analysing and understanding the responses and acting on the messages contained within such questionnaires.
- Maintaining good client relations and to this end
    - We maintain web pages on the Council's websites to explain the role of the internal audit team and provide links to relevant information and advice.
    - There is provision within the audit plan for advice and assistance with respect to internal control for all our clients.
    - Detailed terms of reference are prepared for each audit based on close liaison with clients.
- We have a Pledge and Remedy statement
- Active and full participation in corporate initiatives.

Our success is measured through the feedback both formally and informally and requests for schools traded services, additional or ad hoc audit work and advice from our "auditees", the Executive Director of Finance, Chief Officers and the Audit Committee.

3.7 To add value in our work and to contribute to ensuring Value for Money for the Council

Our strategy is to support good value for money in all we do.

Our work

- Aims to bring Critical Thinking to our audit approach and is designed to ensure service departments are better off from our audits
- is designed to help in the promotion of continuous performance and internal control improvement through the issue of reports containing recommendations and action plans,
- helps to ensure that the Council delivers on Norfolk's Ambition and Priorities,
- supports effective Financial Management,
- helps to prevent fraud and corruption, assists in the safeguarding of assets and includes to undertake investigations where requested to do so by Chief Officers,
- generally acts as a deterrent against fraud and corruption and
- includes participation in benchmarking to measure our performance and value for money against peer organisations.

Our success is measured through the review of the outcomes from audits and the difference we make and how the service department is better off as reported in the Chief Internal Auditor's Annual Internal Audit Report.

3.8 To manage Internal Audit resource

- Our approach is to continuously review our financial budget and any required savings to ensure that we remain in control and that there are no overspends. We take every opportunity to minimise our spend whilst maintaining or improving our service.
- We plan, record and monitor the time spent on all audit activities (audit and non-audit) to manage our staffing resources efficiently and economically.
- Our significant budget spend is on staffing resource. We have a recruitment strategy that sets out the recruitment standards to ensure all staff have the appropriate qualifications and experience. We have developed a mixed economy approach using outsourcing to fill any gaps in audit coverage which gives us greater flexibility and resilience.
- Our success in managing our resources will be measured against those targets set for NAS which form part of the Finance targets
- Our approach to additional non-statutory work is generally to accept such work on the basis of full cost recovery with the proviso that such work is not excessive. Such an approach therefore allows us to recover some of

our overheads. Our traded schools work is delivered on the basis of full cost recovery.

Our success is measured through the delivery of the internal audit plan, whilst remaining within our budget allocation and delivering the corporate budgetary targets when required.

3.9 The table below sets out the services we deliver and the particular strategies for the delivery of these services:

Service	**Particular Audit strategy for delivery/Measures of Success**
Reporting to the Audit Committee, quarterly and annually.	Production and delivery of reports to a professional standard. Attendance at all meetings by the appropriate officers.
Reporting to the Norfolk Joint Museums and Archaeology Committee.	Production and delivery of reports to a professional standard. Attendance at meetings by the appropriate officers.
Facilitation of the delivery of the Annual Governance Statements to the Audit Committee and the Joint Committees.	Manage the process for the delivery of the Annual Governance Statement in particular ensuring adequate and timely consultation with appropriate senior officers and members.
Provision of assurance to the Executive Director of Finance (Interim), the Section 151 Officer, with respect to the systems of governance/internal control and risk management throughout the authority and the Joint Committees.	Consider all aspects of governance, internal control and risk management throughout the authority or joint committee and arrive at a reasoned opinion. Report this to the Executive Director of Finance (Interim) and the appropriate committees.
Undertaking audit work to support the opinion; this work produces draft and final reports which include recommendations for improvements in internal controls and an action plan This work also includes a deterrence element generally and “managed audit work” for the External Auditor with respect to key systems.	In each audit carried out: Our audit findings are categorised into high, medium and low priority Action plans are agreed with management to mitigate risks for medium and high priority findings Any findings of low priority are reported on as discussion points within audit reports We assess the findings to form an overall opinion of ‘Acceptable’ or ‘Key issues that need to be addressed’. All opinions are moderated by an Audit Opinion Group. We assess the corporate significance of the audit

Provision of advice and assistance with respect to Internal Control to Chief Officers and other Senior Officers.	Our annual resource plan provide for general liaison with Chief Officers and other Senior Officers particularly in the formulation of the audit plan. We provide advice on new systems and answers queries in respect of internal control.
Provision of advice and assistance with respect to Anti Fraud and Corruption particularly to the Head of Law.	We review, with the Head of Law, the Anti Fraud and Corruption Strategy on an annual basis and update it as necessary. The Strategy was last updated in January 2014. A performance report with respect to Anti Fraud and Corruption is made to the Audit Committee half-yearly.

Provision of an Internal Audit Service to Schools.	The strategy for auditing schools from April 2012 has been agreed with the Audit Committee and is incorporated into the 2015-16 audit plan Our proposals for marketing internal audit services to maintained schools and academies were included in a report to the January 2012 Audit Committee.
Provision to undertake investigations where requested to do so by Chief Officers or the Audit Committee Chairman.	To deliver professional and objective evidence based reports to assist with effective and efficient disciplinary or criminal proceedings.
Provision of an Internal Audit Service to the Norfolk Pension Fund.	We provide an internal audit service to the Norfolk Pension Fund on a risk assessed basis. We provide these services on a full cost recovery basis which enables us to absorb the cost of some of our senior management and other overheads.
Provision of advice and assistance to the Eastern Inshore Fisheries and Conservation Authority.	Provision of advice and assistance with respect to the Annual Governance Statements and other internal control issues. We provide this service on a full cost recovery basis which enables us to absorb the cost of some of our senior management and other overheads.
Undertaking Grant Certification work particularly with respect to EU grants.	We provide this service on the required charges basis which enables us to absorb the cost of some of our senior management and other overheads.
Setting up and delivering the Audit Authority function for the France-Chanel-England INTERREG 5a programme	This work supports the Council's operation of the Managing Authority and Certifying Authority giving assurance on their controls and is externally funded.

3.10 Reporting the success of the strategy

The results of the strategy are reported to the Audit Committee in the Chief Internal Auditor's reports annually and in summary each quarter. The Executive Director of Finance, Chief Officers and the Audit Committee provide scrutiny and challenge to this strategy.

INTERNAL AUDIT STRATEGY - TECHNICAL NOTE:

The mission of the Internal Audit Team is to provide value for all our stakeholders and to ensure that for those services we have audited, that the services are better off through having had an audit. There are three ways that we achieve this by providing:

- Assurance,
- Objectivity; and
- Insight.

The assurance is provided through three elements:

- Governance,
- Internal Control; and
- Risk Management.

Our objectivity is provided by our:

- Integrity,
- Accountability; and
- Independence.

The insight we deliver is through our:

- Analysis and 'Critical Thinking' of what makes the Council 'Better off',
- Assessment; and
- Action plans and High priority Findings reporting.

Nature of Work

The Public Sector Internal Audit Standards (UKPSIAS) state the internal audit activity must evaluate and contribute to the improvement of governance, risk arrangement and control processes using a systematic and disciplined approach. The main requirements are stated below.

- Governance

  We are required to assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:
  - Promoting appropriate ethics and values within the organisation
  - Ensuring effective organisational performance management and accountability
  - Communicating risk and control information to appropriate areas of the organisation; and
  - Coordinating the activities of and communicating information among the board, external and internal auditors and management.

  We are also required to:
  - Evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities

- Assess whether the information technology governance of the organisation supports the organisation’s strategies and objectives.

- Risk Management

  We are required to evaluate the effectiveness and contribute to the improvement of the risk management process. This includes an assessment that:
  - Organisational objectives support and align with the organisation’s priorities
  - Significant risks are identified and assessed
  - Appropriate risk responses are selected that aligns risks with the organisation’s risk appetite, and
  - Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.
  -

  We are also required to evaluate risk exposures relating to the organisation’s governance, operations and information systems regarding the:
  - Achievement of the organisation’s strategic objectives
  - Reliability and integrity of financial and operational information
  - Effectiveness and efficiency of operations and programmes
  - Safeguarding of assets
  - Compliance with laws, regulations, policies, procedures and contracts.
  - Potential for the occurrence of fraud and how the Council manages fraud risk

- Control

  We must assist the authority in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

  We are also required to evaluate the adequacy and effectiveness of controls responding to risks stated above.

INTERNAL AUDIT APPROACH 2016-17

1 Background

1.1 The Approach set out in this appendix translates the Internal Audit Strategy 2015-18 (**Appendix A**) into the planned work and aligns budget and workforce planning, explaining how and why Internal Audit operates.

1.2 The UK Public Sector Internal Audit Standard (the Standard) came into force on 1st April 2013 and CIPFA's guidance the LAGN on the Standard was also published in April 2013. This Standard and the Guidance replace the CIPFA Code of Practice for Internal Audit.

2 Regulatory Requirements

2.1 The Standard (1.2) requires that the 'Head of Internal Audit' for Norfolk, the Chief Internal Auditor, should prepare a risk based internal audit plan designed to implement an Internal Audit Strategy. The plan should 'take account of the adequacy and outcomes of the organisation's risk management, performance management and other assurance processes'. The Chief Internal Auditor has a duty to promote good governance, share best practices and review the internal controls within the authority.

2.2 CIPFA have published a statement on the 'Role of the Head of Internal Audit' and the Local Government version of that document includes; "the Chief Internal Auditor must lead and direct an internal audit service that is resourced to be fit for purpose". It goes on to say, "the resources available must be proportionate to the size, complexity and risk profile of the authority and must be enough for the Chief Internal Auditor to give a reliable opinion on the authority's control environment. Responsibility for ensuring that an effective and appropriately resourced internal audit service is in place rests with the authority". As Section 151 Officer, the Executive Director of Finance has a duty to consider the adequacy of the internal audit coverage. The Executive Director of Finance relationship with the Chief Internal Auditor is imperative in ensuring the value and quality of the systems within internal control.

3 Financial and organisational changes

3.1 The Managing Directors 'Re-imagining Norfolk' that went to P&R Committee in September 2015 proposed a three year strategy for delivering the Council's priorities and statutory duties with 75% to 85% of current resources, highlighting the still significant savings to be made within the Council. NAS continue to review the approach taken to Internal Audit work, the resources and our methodology to ensure 'Better ways of Working' are adopted to ensure adequate and effective audit coverage, albeit within a reduced internal audit resources.

3.2 The minimum coverage required for internal audit comprises both the 'Managed Audit' work, to support our external auditor, as well as the other internal work needed to comply with the Accounts and Audit (England)

Regulations 2014 and to form an opinion with respect to the system of internal control, governance and risk management.

3.3 This annual plan will be flexible to cope with the inevitable changes that are required throughout the year, with such changes being reported to the Audit Committee in the quarterly reports with a formal review at the half year. However the Audit Plan 2016-17 will cover the full year, with the Audit Committee being made fully aware of any changes at the quarterly committee meetings.

4 Approach to the Audit Plan for 2016-17

4.1 The internal Audit plan is designed to give sufficient coverage to form an overall audit opinion with respect to the systems of internal control, governance and risk management. The internal audit plan draws from the Managing Director's Performance monitoring report (P&R Committee October 2015) in that:

- It focusses on the right things and supports delivering the Council's priorities and managing its vital signs and key risks
- It will be able to demonstrate how services within the Council are better off through having had an audit
- It sets accurate baselines in that it is clear in the number of audits to be delivered within each key area to support the annual audit opinion and the Annual Governance Statement
- The plan strengthens accountability and ownership by focussing on key areas of risk within the Council

4.2 The key messages in this approach are:

- The audit plan focusses on the right things and only the 'essential' audit work, which our risk and needs assessment, undertaken with departments, identifies, will be met from the available resources,
- understanding what audit work will not feature in the plan and accepting the risks arising from that.

4.3 The Annual Internal Audit plan is kept under review through regular assessment by the Chief Internal Auditor, including assessing performance with delivery, and amended as appropriate to reflect changing priorities and emerging risks which are report to the Audit Committee.

5 Scoping for 2016-17

5.1 The total requirement for the full services we deliver, are presented in our Internal Audit Strategy 2015-18 (**Appendix A**). The Chairman and Vice Chairman of the Audit Committee will be consulted with respect to proposed changes during the year.

5.2 With our existing audit team, a mix of permanent and temporary staff, and reduced specialist contractor audit days, we propose that there should be 877 days delivered days.

5.3 The audit plan will be based on an audit universe of both essential and desirable audits. These are risk assessed in consultation with Chief Officers. Essential audits will be defined as those with the highest risk and the detailed plan developed to match the resources available. It is expected that only audits deemed 'essential' will be included in the plan. The work to support the provision of the opinion to the Executive Director of Finance contains:

- Discretionary audits agreed with Chief Officers
- Audit work supporting the external auditors
- Traded Schools audit work; and
- Specialist ICT and Health and Safety work.

5.4 The audit work to support the external auditor's assurance is fixed in nature and timing. We are consulting our external auditor to confirm their requirements for assurance work from us.

5.5 We will continue to engage specialist auditors for complex and highly technical audits within the cash limited budget (£21,000). These are currently identified as ICT and Health and Safety. Regarding ICT following a mini competition exercise we will continue for up to a further four years with PWC. For Health and Safety we have used Mouchel through the strategic partnership agreement and this arrangement will continue through 2016-17.

5.6 Benchmarking is difficult in times where there are significant changes taking place. The audit resources are however still considered to be comparable and reasonable for the size of the authority. On an annual basis using CIPFA guidance, relevant data is benchmarked against the "most similar authorities" within the UK to ensure the comparison is meaningful. Data benchmarked includes auditor qualifications, chargeable audit days and cost per auditor. The CIPFA questionnaire is completed after data is compiled and after a detailed analysis the department can assess how efficient and cost effective it is against other similar authorities.

5.7 We continue to develop customer care and as part of this we ensure that our quality control and assurance procedures are met and are reviewed and updated as necessary.

5.8 The Audit Committee promote the value and quality of the systems of internal audit and support the Executive Director of Finance in maintaining appropriate resources and direction of the audit work. The Chairman's Half Yearly report explains how this is achieved.

5.9 The proposed 2016-17 Internal Audit Plan is presented at **Appendix E.**

6 Conclusions

6.1 There are requirements for an adequate and effective internal audit function to meet statutory, best practice and aspirational requirements, including the external auditor’s value for money opinion.

6.2 The Internal Audit Approach translates the strategy into planned work. The audit days to support the strategy for 2016-17, of 877 days is considered sufficient to support an opinion on the Council’s control environment, taking into account the Council’s Risk Management, performance management and other assurance procedures. This follows a trend in significant resource reduction being managed since 2008-09.

6.3 We will continue to seek and promote greater value for money in our audit delivery while maintaining sufficient coverage and quality standards.

6.4 The Audit Committee have a key role in promoting the value and quality of the systems of internal audit and in supporting the Executive Director of Finance in maintaining appropriate resources and direction of the audit work.

7 Resource Implications

7.1 Internal audit vacancies will continue to be managed flexibly with a mix of temporary and permanent staff under the corporate vacancy management policy. Resourcing needs identified from the rolling internal audit planning will be reviewed on an ongoing basis and reported to the Committee.

Appendix C

Internal Audit 3 year planned days 2016-17 to 2018-19 - Supporting the Audit Opinion

Assurance Area	**2016-17**	**2017-18**	**2018-19**	**2016-17 Direct Services**	**Support Services**
Total Communities & Environment	97	110	110	97	
Total Adult Services	100	100	100	100	
Total Children's Services	97	100	100	97	
Total Resources	317	315	315		317
Total Finance	257	250	250		257
Completion of previous years audits	15	15	15	15	
High Priority Findings	10	10	10		10
Contingency	0	0	0		0
Total Audit Days (see Appendix E)	**893**	**900**	**900**	**309**	**584**
NB:- Available days per NAS resource model	709				
Audit plan oversubscribed by	184				

Note:

1) The allocation of days for 2017-18 and 2018-19 are indicative based on current resource and budget

2) The allocations are at service directorate high level only to allow flexibility of coverage within each directorate

3) The 2016-17 allocations between dierect services and support services are consistent with 2015-16. It should be noted that audits within support services are frequently across the service directorates thus providing additional assurance within service directorates

Norfolk Audit Services

Appendix D

Proposed Delivery of Internal Audit Strategy for 2016-17

Element of Strategy	**Total proposed 2016-17**	**Proposed Quarter 1 and 2**	**Proposed Quarter 3 and 4**	**Revised Total proposed 2015-16 September Audit Committee**
Reporting to the Audit Committee quarterly and annually	**40**	20	20	40
Reporting to the Joint Committees (Norfolk Records Committee, Norfolk Joint Museums and Archaeology Committee) annually	**3**	3	0	3
Facilitation of the delivery of the Annual Governance Statements to the Audit Committee and the Joint Committees	**5**	0	5	5
Provision of assurance to the Executive Director of Finance (Section 151 Officer) with respect to the systems of governance/internal control and risk management throughout the authority and the Joint Committees	**10**	5	5	10
Undertaking audit work to support the internal audit opinion **(Appendix E) includes days delivered through mixed economy**	**709**	369	340	903
Provision of advice and assistance with respect to Internal Control to Chief Officers and other Senior Officers	**50**	25	25	50
Provision of advice and assistance with respect to Anti Fraud and Corruption particularly to the Head of Law	**60**	30	30	60
Provision to undertake investigations	**0**	0	0	0
*Provision of chargeable Internal Audit Service to Schools	**80**	40	40	85
*Provision of an Internal Audit Service to Norfolk Pension Fund	**80**	40	40	70
*Provision of advice and assistance to the Eastern Sea Fisheries Joint Committee/EIFCA	**6**	0	6	8
*Undertaking Grant Certification work particularly with respect to EU grants (some days non chargeable)	**138**	70	68	126
Setting up and delivering the Audit Authority Function to the FCE programme	**155**	78	77	160
Gross Total	**1,336**	**874**	**920**	**1520**
*Less Delivered to external Clients	**459**	191	193	449
Total to be Delivered to NCC (para 2.4)	**877**	**683**	**727**	**1091**

Total to be delivered to NCC (includes contractor time) **877**

Norfolk Audit Services

Internal Audit Plan 2016-17

Appendix E

Assurance Area and Audit topic	Allocated Days	Brief description of the audit scope and purpose	Q1 and Q2	Q3 and Q4
Community and Environmental Services				
ETD				
Flood & Water Management	15	Assurance on flood and water management financial controls and systems comply with legislation. **Quality Assurance**		Y
Highways & Transport	12	Assurance on the purchase, lease and management of Assets. **Quality Assurance**	Y	
Home to School / Social Care Transport	20	Assurance on key processes and controls. **Quality Assurance**		Y
TIA (Transport Infrastructure Assets)	10	Assurance over new legislative changes in accounting rules. Supports the work of the External Auditors. **Quality Assurance**		Y
Business Continuity	10	Assurance on the effectiveness of business continuity arrangements in place **Quality Assurance**		Y
Customer Services: Customer Relationship Management System	10	Assurance that the new Customer Relationship Management System is operating effieiently and effectively **Quality Assurance**		Y
Fire				
Fleet Management	10	Assurance over the procurement and management of the Fire fleet of vehicles. **Procurement Controls**		Y
Trading Standards	10	Assurance on the arrangements in place to secure evidence for prosecutions, and the disposal following completion of investigations. **Quality Assurance**	Y	
Total Community and Environmental Services	**97**			
Adult Services				
Business Support & Development				
Unspecified Audit to be determined	20	Assurance that systems and controls in place are operating effectively. **Quality Assurance**	Y	
Integrated Commissioning				
Better Care Fund (Pooled Arrangements)	10	Assurance over financial and governance arrangments. **Quality Assurance**		Y
Adult Social Work				
Local Welfare Provision / Local Assistance Scheme (possible anti fraud & corruption review)	10	Assurance that systems and controls are in place and operating effecively. **Quality Assurance**	Y	
Financial assessments	20	Assurance that systems and controls are in place and operating effectively. **Quality Assurance**		Y
Implementation of Care Act 2014 statutory obligations	20	Assurance that key requirements and changes from the Care Act 2014 are being met/have been adequately planned for. **Quality Assurance**	Y	
Integrated Health Care & Social Care				
No audits on risk assessed basis				

Assurance Area and Audit topic	Allocated Days	Brief description of the audit scope and purpose	Q1 and Q2	Q3 and Q4
Community Commissioning and Service Transformation				
Unspecified Audit to be determined	20	Assurance that systems and controls in place are operating effectively. **Procurement Controls**		Y
Total Adult Services	**100**			
Children's Services				
Early Help				
Children's Social Work				
Contract monitoring of non-NCC Children's homes (deferred from 2015-16)	15	Assurance over systems and processes in place to monitor service delivery. **Quality Assurance and Budget Management**	Y	
Education				
Themed school audit - Pupil Premium	20	Assurance over systems and processes in place to monitor the use of pupil premium monies. **Quality Assurance and Budget Management**		Y
4 standard school compliance audits	22	Individual school aduits for four high risks schools. **Quality Assurance**	Y	Y
Performance planning and QA				
Ofsted Improvement Pan	25	Assurance over the planned action taken by Children's Servics Leadership Team in supporting the service in addressing the issues as part of the Ofsted report. **Quality Assurance**	Y	
Data quality on CareFirst	15	Assurance over the quality of data on Care First. **Quality of data**	Y	
Total Children's Services	**97**			
Resources				
Public Health				
Effectiveness of integration with other departments	15	Assurance over the effectiveness of integration with other departments in ensuring public health requirements are being delivered. **Quality Assurance and Organisational Change**		Y
Business Intelligence and Performance & Planning				
Unspecified Audits - up to four audits to be agreed with the Executive Director of Resources	70	Assurance over the effectiveness of controls and processes in place. **Quality Assurance and Organisational Change**	Y	Y
Equality Act	12	Assurance over compliance with the Equality Act as a result of changes to how staff work and how services are now being delivered to service users. **Quality Assurance**	Y	
Introduction of AGS self assessment process 5 days already in strategy	Audit days delivered within strategy	Days to support the introduction of the new self assessment. **Quality Assurance**	Y	
AGS assessments	8	Assuracne over the self assurance process by way of a spot check to supporting evidence. **Quality Assurance**	Y	
Programme support				
No audits on a risk assessed basis				
Communications				

Assurance Area and Audit topic	Allocated Days	Brief description of the audit scope and purpose	Q1 and Q2	Q3 and Q4
No audits on a risk assessed basis				
HR & OD				
Remote and agile working	20	Assurance that systems and controls are in place and are operating effectively. **Quality Assurance and Organisational Change**		Y
Leave and time off management	20	Assurance that tasks previously performed by HR staff, which have now been delegated to departmental managers, are being completed consistently and to the standard required. This will include flex, additional purchased leave, sick leave. **Quality Assurance**	Y	
Law				
No audits on a risk assessed basis				
Democratic Services				
No audits on a risk assessed basis				
Norfolk Audit Services				
A review of the effectiveness of the system of internal controls	3	Days to support the external review against UKPSIAS. **Quality Assurance**	Y	
Health & Safety				
Unspecified Audit to be determined	10	Assurance over the effectiveness of controls and processes in place. **Quality Assurance**		Y
Contract				
Contract Management of Commissioned Se	15	Assurance that systems and controls are in place and are operating effectively. **Procurement Controls**		Y
Contract Register	15	Assurance that systems and controls in place are operating effectively. **Procurement Controls**	Y	
Unspecified Audit to be determined	15	Assurance that systems and controls in place are operating effectively. **Procurement Controls**		Y
Procurement				
Tendering Compliance	15	Assurance that NCC systems and controls are in place and operating effectively. **Procurement Controls**	Y	
Unspecified Audit to be determined	15	Assurance that systems and controls in place are operating effectively. **Procurement Controls**		Y
Information Management				
Voice & data - desk top review	2	Assurances in place to support the delivery of the voice and data project. **Quality Assurance**	Y	Y
Data protection, identifying and reporting breaches. Thematic review across all service directorates	20	Assurance that systems and controls are in place and are operating effectively for identifying, investigating and reporting potential breaches. **Data Quality and Records Management**		Y
Records management and data protection	10	Assurance that systems and controls in place are operating effectively and that recommendations from previous audit coverage have been actioned. **Records Management**	Y	
Information Governance Framework	10	Assurance that systems and controls in place are operating effectively. **Quality Assurance and Records Management**		Y

Assurance Area and Audit topic	Allocated Days	Brief description of the audit scope and purpose	Q1 and Q2	Q3 and Q4
iHub	10	Assurance over the controls and processes in place to support good quality data on the iHub . **Data Quality and Records Management**		Y
Freedom of Information	10	Assurance that systems and controls are in place and operating effectively. **Quality Assurance**	Y	
ICT				
Access rights (including link to Sailpoint)	10	Assurance that systems and controls are operating effectively. **Quality Assurance and Records Management**	Y	
DNA Project - desk top review	2	Assurance in place to support the delivery of the DNA project. **Quality Assurance**	Y	Y
HP - Asset Disposal	10	Assurance that systems and controls are in place and are operating effectively. **Quality Assurance and Records Management**	Y	
Internal Security Controls (ICT technical au	Audit to be delivered by PWC	Assurance that systems and controls are operating effectivley where we deliver services with third parties and those third parties have access to our systems/applications. **Quality Assurance and Records Management**		Y
Total Resources	**317**			
Finance				
Finance				
Key Financial systems	20	Assurance on the material financial systems to help support the external auditors. 2015-16 transactions to be looked at. **Quality Assurance**	Y	
Teachers Pension Return	10	Required annually by external auditors. **Quality Assurance**	Y	
Pension 3 year re-enrolment	12	Assurance that set criteria for re-enrolment has been complied with. **Quality Assurance**	Y	
Payroll – Starters and Leavers	15	Assurance on key controls. **Quality Assurance**	Y	
Payroll - follow up of tax issue (2015-16 audit)	1	Assurance that recommendations from previous work have been fully implemented. **Quality Assurance**	Y	
Treasury Management	12	Assurance on key controls. **Quality Assurance**	Y	
Budget Monitoring	15	Assurance that Budget Manager is being used as expected to provide accurate and timely management information and complete and accurate information is provided to committees about the level of spending compared to budget. **Budget Management**		Y
Anti Fraud Audit 1 (15 days from the audit strategy)	Audit days within strategy	Supports the anti-fraud and corruption strategy and plan. **Anti Fraud and Corruption**	Y	
Anti Fraud Audit 2 (15 days from the audit strategy)	Audit days within strategy	Supports the anti-fraud and corruption strategy and plan. **Anti Fraud and Corruption**		Y
Subsidiary Companies	20	Assurance that robust governance and financial arrangements are in place and operating effectively. **Quality Assurance**		Y

Assurance Area and Audit topic	Allocated Days	Brief description of the audit scope and purpose	Q1 and Q2	Q3 and Q4
Accounts Receivable	12	Assurance on controls on automated changes in respect of billing through Oracle. Pay on receipt. **Quality Assurance**		Y
Accounts Receivable	20	Assurance on the system and controls in place for debt recovery and the new system in place for accounts receivable. It has been specificially requested for the audit to include assurance on the controls in place within the new system for accounts receivable. **Quality Assurance**	Y	
Account Payable	25	Assurance on the system and controls in place for the e invoicing on the Invoice Management System and e invoicing on non residential payments. It has been specifically requested for the audit to look at the process from order through to payment. **Quality Assurance**		Y
Full cost recovery	15	Assurance on the adequacy of controls in place to ensure full cost is being charged to external customers. **Budget Management**	Y	
Community Infrastructure Levy	10	Assurance that adequate governance arrangements are in place. **Quality Assurance**	Y	
Value for money Public Transport Travel and hotel bookings	15	Assurance that the culture of rail ticket purchase and hotel bookings and the current administrative system in place for purchasing tickets meets the criteria of economy efficiency. **Budget Management**	Y	
Capital Accounting	10	Assurance that controls and processes within capital budget manager are operating effectively. **Budget Management**		Y
County Farms	10	Assurance that systems and controls are operating effectively. **Quality Assurance**		Y
Carbon reduction Scheme	5	Assurance to meet the Carbon Reduction Commitment and the legislative requirements to produce the annual audit letter. **Quality Assurance. Desk top review concentrating on areas of weakness identified at the last audit.**	Y	
Property (Asset Management) - Security of buildings	15	Assurance that robust controls are in place regarding security at NCC buildings, especially at evenings and weekends and to ensure no unauthorised access. **Records Management**		Y
Property (Asset Management) - Maintenance of buildings	15	To provide assurance that clear strategy and procedures are in place for property maintenance. **Budget Management**		Y
Total Finance	**257**			
Completion of 2015-16 audits	15			
HPF follow up first 6 months	5			
HPF follow up last 6 months	5			
Contingency	0			

Assurance Area and Audit topic	Allocated Days	Brief description of the audit scope and purpose	Q1 and Q2	Q3 and Q4
Total in house days to support the audit	**893**			
days available for opinion work	709	**(See Appendicies C and D)**		
Audit plan oversubscribed by	**184**			

Audit Committee

Item No 12

Report title:	**Internal Audit Terms of Reference and Code of Ethics (incorporating the Interreg VA France Channel England Programme Audit Authority)**
Date of meeting:	**28 January 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

The Accounts and Audit Regulations 2015 require that, from April 1 2015, the Council must ensure that it has a sound system of internal control that meets the relevant standards. The Council agreed on 10 June 2013 to manage the Interreg VA France Channel England Programme, which includes a designated Independent Audit Body (IAB) and Audit Authority (AA).These roles are to be managed through Norfolk Audit Services.

Executive summary

The purpose of this report is to present the revised Internal Audit Terms of Reference and the Code of Ethics following a review, in accordance with CIPFA's and the IIA's UK Public Sector Internal Audit Standards. The review of the Terms of Reference provided an opportunity to incorporate the internal audit team's new functions in terms of acting as the Independent Audit Body and the Audit Authority for the Interreg V France (Channel) England (FCE) programme.

The Public Sector Internal Audit Standards (PSIAS) requires that the purpose, authority and responsibility of the internal audit activity must be formally defined by the Council in an audit charter (PSIAS standard 1000), for Norfolk County Council this document is the Internal Audit Terms of Reference. The PSIAS also required that the Terms of Reference include: independence; relationships and staffing; and training and development.

Minor changes, as underlined, were made to the Internal Audit Terms of Reference this year as shown at **Appendix A**. The Terms of Reference meet the Standard. (See section 5 - Background).

A significant change was made through the addition of the FCE Audit Terms of Reference as a part II to the document, thus encapsulating all audit functions delivered by the audit team: internal audit and EU audit. Part II is yet to be formally approved by the Department for Community and Local Government (DCLG).

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

European Commission guidelines require that the Audit Authority mandate is documented in an audit charter, when the mandate is not already set out in national legislation. Where an audit charter exists for the audit function as a whole, the Audit Authority mandate should be incorporated. This contributes to the independence of the Authority. Norfolk Audit Terms of Reference serve the same function as an audit charter.

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

The current Internal Audit Code of Ethics appears at **Appendix B** and is applicable to all staff employed by the internal team, whether they are deployed on internal audit activities or EU audit activities. No significant changes are considered necessary. This continues to be based on best practice, the CIPFA publication “Code of Ethics for Professional Accountants” (2011) which is compatible with the PSIAS.

Recommendation:

The Audit Committee is recommended to:

- note the significant additional function delivered by the team (EU Audit Authority) for the next 10 years and the associated changes to the Terms of Reference (Appendix A – Part 2, subject to approval from DCLG)

- The Audit Committee is recommended to consider and, if satisfied, approve the amended Terms of Reference as set out in Appendix A, and the Code of Ethics as set out in Appendix B.

1. Proposal (or options)

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

2. Evidence

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

3. Financial Implications

3.1. The expenditure in relation to the internal audit function falls within the parameters of the Annual Budget agreed by the Council.

3.2. Expenditure incurred in the delivery of the FCE Audit function is recoverable from the European Commission under the terms of the Technical Assistance budget, provided the expenditure is in line with EU eligibility rules and satisfactory evidence of compliance has been retained.

4. Issues, risks and innovation

4.1. **Risk implications**

4.2. These documents underpin the operational performance of Norfolk Audit Services and hence significant changes to these documents would impact on the delivery of the audit service and may put at risk the good reputation of the service. The External Auditor places reliance on the work of internal audit which helps to lower their fees to the Council.

4.3. The British and French Member States and the European Commission will place reliance on the work of the FCE audit team, which will enable the programme to function. Any issue raised with regards to the quality of the work produced by the Audit Authority or the adequacy of the audit strategy in place may result in programme interruptions and/ or suspension of payments from the European Commission.

4.4. **Environmental implications**

4.5. The newly increased scope of the audit function has a direct impact on the geographical territory to be covered by its activities, with audit activities planned over the whole FCE territory and training and strategical coordination meeting taking place throughout the EU territory. EU Regulations are prescriptive in terms of their requirements for site visits and limited scope for remote auditing. There will therefore be a significant increase in transport incurred by staff. This will be mitigated through maximising the use of public transport.

4.6. There are no implications with respect to:

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

5. Background

5.1. The Internal Audit Terms of Reference and Code of Ethics were last approved at the January 2015 Audit Committee meeting.

5.2. Under section 17 of the Crime and Disorder Act 1998, the Council has a statutory general duty to take account of the crime and disorder implications of all of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.

5.3. Internal Audit helps with this by aiming to deter crime, to increase the likelihood of detection through making crime difficult, to increase the risk of detection and prosecution and to reduce the rewards from crime.

5.4. Internal Audit's Terms of Reference and Code of Ethics have been drafted in order to cover higher risk areas, including where weaknesses in controls might increase the risk of theft, fraud or corruption. An action plan is agreed for any weaknesses that are identified during audits, including any which might increase the risk of theft, fraud or corruption. Consideration has been given to the present economic conditions and the Anti-Fraud and Corruption plan and resources are considered adequate.

5.5. **Background papers**

There were no background papers relevant to this report.

Officer Contact

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

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IN TRAN communication for all

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Appendix A

Norfolk County Council
Internal Audit and Interreg VA France Channel England Programme Audit Authority - Terms of Reference

CONTENT

<u>Internal Audit</u>

<u>FCE Audit Authority</u>

Appendix A

Norfolk County Council
Internal Audit and Interreg VA France Channel England Programme Audit Authority - Terms of Reference

PART I : NORFOLK COUNTY COUNCIL INTERNAL AUDIT – TERMS OF REFERENCE

1 RESPONSIBILITIES, OBJECTIVES AND SCOPE

1.1 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

1.2 In meeting its responsibilities, Internal Audit activities are conducted in accordance with Council strategic objectives and established policies and procedures. In addition, Internal Auditors shall comply with the Code of Ethics and the Public Sector Internal Audit Standards and other such codes of professional bodies of which internal auditors are members, such as CIPFA and the Chartered Institute of Internal Auditors.

1.3 The scope for Internal Audit is 'the control environment comprising risk management, control and governance'. This means that the scope of Internal Audit includes all of the Council's operations, resources, services and responsibilities including those where the Council works with other bodies. This definition shows the very wide scope of Internal Audit's work.

1.4 In order to turn this generic description of scope into actual subjects for audit, the Chief Internal Auditor uses a risk assessment to identify high-risk areas. This risk assessment includes an assessment of the effectiveness of the systems of internal audit, reviewing the adequacy and effectiveness of risk management and reviewing corporate and departmental risk registers. This process inevitably identifies the Councils fundamental financial systems as being 'high risk', but other non-financial systems and functions are also identified as important areas for review by Internal Audit, for example project management/ICT and Health and Safety.

2 REPORTING LINES AND RELATIONSHIPS

2.1 Internal Audit forms part of the Finance Directorate. The Chief Internal Auditor reports directly to the Section 151 Officer (Executive Director of Finance), who in turn reports to the Managing Director.

2.2 The Council has an Audit Committee and the Chief Internal Auditor reports to the Audit Committee on a quarterly and annual basis, through the Executive Director of Finance. The Chief Internal Auditor's Annual Report includes an 'opinion' on the adequacy and effectiveness of risk management, governance arrangements and internal control within the authority.

2.3 The Audit Committee is responsible for endorsing the Annual Internal Audit Plan. The quarterly and annual reports from the Chief Internal Auditor show progress against the Plan through a summary of audit work over the period. Quality feedback from questionnaires received from clients following audits is also presented to the Audit Committee.

2.4 The Audit Committee Chairman meets separately and privately with the Chief Internal Auditor and with the Council's External Auditor from time to time.

2.5 Internal Audit co-ordinate their work with that of the external auditors and assist the external auditors as required to ensure that appropriate reliance can be placed on Internal Audit's activities; Internal Audit may also place reliance upon the work of the external auditors.

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

3 INDEPENDENCE AND ACCOUNTABILITY

3.1 Internal Audit is independent of the activities that it audits which enables the auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and unbiased recommendations. Internal auditors have no operational responsibilities.

3.2 Internal Audit determines its priorities in consultation with the Audit Committee. The Chief Internal Auditor has continual direct access to Council records, officers and reports and the ability to report independently and impartially if required. Accountability for the response to the advice and recommendations of Internal Audit lies with Chief Officers and Heads of Service, who either accept and implement the advice or choose another course of action on a risk assessed basis.

4 STATUTORY ROLE

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

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

(Part 2 section 6) A relevant authority must, each financial year conduct a review of the effectiveness of the system of internal control required by regulation 3; and prepare an annual governance statement. If the relevant authority is a Category 1 authority (which NCC is), then following the review, it must consider the findings of the review by a committee; or by members of the authority meeting as a whole; and approve the annual governance statement by resolution of a committee; or members of the authority meeting as a whole.

4.2 The statutory role is recognised and endorsed within the Council's Financial Regulations (Appendix C – Risk Management and Control of Resources), which provide the authority for Internal Audit's access to officers, members, premises, assets, documents and records and to require information and explanation as necessary. These rights of access also extend to partner organisations.

5 Consultancy or advisory reviews

5.1 In addition to formal audit work, Internal Audit perform consultancy or advisory reviews as part of the annual internal audit plan, or on an ad hoc basis when requested by management. All such advisory work will be clearly identified in the Internal audit Plan. Where a significant consultancy or advisory service is required, either within or external to the Council approval will be sought from the Audit Committee. Reports from this type of work contain findings, audit views and recommendations and whilst no formal opinion is given, this work does inform the Chief Internal Auditor's overall opinion on the adequacy and effectiveness of internal controls.

6 INTERNAL AUDIT STANDARDS

6.1 There is a statutory requirement for Internal Audit to work in accordance with 'proper audit practices'. These 'proper audit practices' are in effect 'the Standards' for local authority internal audit.

6.2 CIPFA and the IIA have now published the UK Public Sector Internal Audit Standard which came into force from 1st April 2013. CIPFA has also published in consultation with the IIA a Local Government Application Note with respect to the Standards. Our Internal Audit

Terms of Reference, Code of Ethics are compliant with the Standard and Guidance.

7 INTERNAL AUDIT RESOURCES

7.1 The Chief Internal Auditor has ensured that the resources of the Internal Audit Section are sufficient to meet its responsibilities and achieve its objectives. If a situation arises whereby the Chief Internal Auditor concludes that resources are insufficient, he must formally report this to the Section 151 Officer.

7.2 The Chief Internal Auditor has been responsible for appointing the staff of the Internal Audit Section and has ensured that appointments have been made to achieve the appropriate mix of qualifications, experience and skills.

7.3 Internal Audit is appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the Standards. Internal Auditors are properly trained to fulfil their responsibilities and maintain their professional competence through appropriate development programmes.

7.4 Where skills do not exist within the team, the Chief Internal Auditor buys in resources from external sources to provide an adequate, effective and professional service, for instance with respect to ICT or Health and Safety audits.

7.5 If Internal Audit staff are appointed from operational roles elsewhere in the Authority, they do not undertake an audit in that operational area during the first year of their appointment, except by prior agreement between the Chief Internal Auditor and the relevant Head of Service.

8 FRAUD AND CORRUPTION

8.1 The Anti Fraud and Corruption Strategy was last reviewed in late 2014 and endorsed by the Audit Committee at its January 2015 meeting. The Strategy sets out the responsibilities of the various parties. These include, amongst other things, that the promotion of and revision to the Strategy lies with Monitoring Officer (Head of Law) 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. A training programme to develop fraud investigatory skills within the team is included within the development plans.

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

8.3 The Chief Internal Auditor has made arrangements to be informed of all suspected or detected fraud, corruption or improprieties so that he can consider the adequacy of the relevant controls, and evaluate the implications for the opinion on the internal control environment.

9 REPORTING ON INDIVIDUAL AUDIT ASSIGNMENTS

9.1 A written report is prepared for every internal audit in accordance with the appropriate standards. The report is agreed with the Principal Client Manager before being issued to the responsible Assistant Director or Head of Service. The reports include an 'opinion' on the adequacy and effectiveness of risk management, governance arrangements and the internal controls in the area that has been audited.

9.2 Internal Audit make practical recommendations based on the findings of the work and discuss these with management to establish an appropriate action plan.

9.3 The Assistant Director or Head of Service is asked to respond to the report's recommendations within an agreed timescale. The response must show what actions have been taken or are planned in relation to each recommendation. If a recommendation is not accepted by the manager, this is also stated. The Chief Internal Auditor assesses whether the managers response is adequate.

9.4 Any findings given a high priority are monitored and reported in a separate High Priority Findings (HPF) report. Management assurance is obtained to ensure the agreed actions have taken place and updates about the progress of dealing with high priority findings are reported to County Leadership Team quarterly. If actions have not been implemented satisfactorily by the agreed dates, the Chief Internal Auditor will make a risk based assessment to determine what further follow-up audit and subsequent reporting to County Leadership Team is required.

9.5 Any reports that, in consultation with Chief Officers, are judged to be "Corporately Significant" based upon agreed criteria are reported to the Audit Committee. These reports are subject to a full follow up audit.

9.6 The Chairman can request a sample of audit reports to review periodically.

10 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

11 DEFINITIONS

In terms of the PSIAS and the LGAN:-

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

Senior Board – functions are exercised by the Audit Committee

Senior Management – functions are exercised by the Chief Officer Group

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

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

Norfolk County Council
Internal Audit and Interreg VA France Channel England Programme Audit Authority - Terms of Reference

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

1. Primary Role

1.1. European Union regulations require that Member States must have in place a designated Audit Authority for all European Structural & Investment Funds. Norfolk Audit Services is the designated Audit Authority ('the Authority') for the Interreg V France (Channel) England programme. Interreg programmes are a specific type of European Structural & Investment Fund, falling under the European Regional Development Fund (ERDF) and more specifically the European Territorial Cooperation (ETC) programme.

1.2. Norfolk Audit Services has also been designated Independent Audit Body for the purpose of the designation of the other programming bodies.

1.3. The Authority's primary role is:

- To seek to provide assurance to the programme national authorities[1] 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.

[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.

Norfolk County Council
Internal Audit and Interreg VA France Channel England Programme Audit Authority - Terms of Reference

2. Authority

2.1. The Authority will derive its authority from formal designation by the Department for Communities and Local Government (DCLG). Formal confirmation is being sought from both Member States that Norfolk Audit Services will have authority to carry out directly the functions of the Audit Authority in the whole of the territory covered by the cooperation programme. Modality for Member State representatives to accompany FCE auditors on audit missions[2] will be discussed and agreed through the Consultative Audit Group, once set up.

2.2. 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.

2.3. 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 board[3] in a first instance, with escalation to Department for 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) with oversight from the Audit Committee. The Audit Authority is functionally independent from the Managing Authority (Norfolk County Council – Economic Development), the

[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.

Certifying Authority (Norfolk County Council – Budgeting and Accounting within Finance) and the Beneficiary Bodies involved in any FCE co-financed operations.

3.2. Although the Audit Authority will feed into Norfolk County Council's internal governance arrangements through the provision of progress and performance update, the Audit Authority will in effect be accountable to the FCE National Authorities, via the Audit Consultative Group, and to the European Commission.

3.3. The Authority is therefore functionally independent of the activities that it audits. Moreover, it has sole responsibility for the planning and selection of expenditure/operations to be audited and the manner in which the audits are conducted.

3.4. Upon request of a national authority, the Authority's staff may be accompanied by an auditor from the national authority. An expectation of independence will also be placed on that member of staff.

3.5. The Authority may, if deemed appropriate by the Chief Internal Auditor and the Audit Committee, or if requested by management, advise on financial control and audit issues or review systems under development without prejudicing its right to subsequently audit such systems.

3.6. All members of staff working for the Authority have a duty to abide by the Internal and Interreg FCE Audit Code of Ethics (Appendix B). The requirement for professional independence underpins the first two pillars of the internal code, namely integrity and objectivity. Staff are expected to complete annual declaration of interest, in order to detect and manage any potential conflict of interest with auditees.

4. Responsibilities

4.1. The specific role and responsibilities of the Authority are determined by European Union Regulations and Guidelines for the Structural Funds. The key roles may be summarised as follows:

- Produce a report for the benefit of the DCLG, including an opinion on the management and control systems set up by the Managing and Certifying Authorities, based on the descriptions provided, which will form the basis of their formal designation as programme authorities. This work must be undertaken prior to any claim for interim payment from the European Commission being submitted.

- Prepare, and update as necessary, an audit strategy in consultation with the National Authorities representatives on the Consultative Audit Group. The audit strategy will be submitted to the European Commission, upon request (in line with Article 127 (4) of EU Regulations 1303/2013).

- Prepare and deliver an annual audit plan, as discussed with National Authorities representatives on the Consultative Audit Group. Ensure the audit plan enables compliance with requirements as stated in EU regulation and complimentary guidance.

- Submit to the Commission an annual control report (ACR) setting out the findings of audits carried out during the audit year, with regards to audits of operations detailed expenditure, systems audits and follow up work on previous recommendations.

- Issue an annual audit opinion, on the basis of audits carried out, as to whether the management and control systems functioned effectively so as to provide reasonable assurance that statements of expenditure presented to the Commission are correct and, as a consequence, reasonable assurance that the underlying transactions are legal and regular.

- Submit to the Commission a winding up declaration in respect of the FCE programme before the statutory date for closure.

5. Relationship with other audit functions

5.1. The Authority will be assisted by a Consultative Audit Group, which will be composed of competent and independent representatives of the National Authorities. The Consultative Audit Group will provide the National Authorities with a channel to influence the audit strategy and audit plan, to ensure specificities of their respective territories and needs are adequately met, whilst ensuring compliance with the relevant EU regulations and associated guidance.

5.2. The Authority will provide a progress update to the Norfolk County Council's Audit Committee for information. The update will focus on summarising activity undertaken against expectations from the regulations and/ or the audit plan, to confirm satisfactory progress is being achieved.

5.3. The Authority shall liaise with the Audit Service of the European Commission in the Directorate General for Regional Affairs (DG Regio) and submit all required documents, including the annual audit plans and an annual control report and annual audit opinion as outlined at 4 above.

5.4. If requested, the Authority will co-operate with audit missions by the European Commission Audit Services or the European Court of Auditors, either in the provision of information or advice in relation to financial control and audit procedures relating to the FCE programme or by participating in joint missions if appropriate.

5.5. Through the use of national public procurement procedures, the Authority will engage the use of private sector audit firms for audit activities on the French territory, specialist work or during particularly busy periods.

6. Reporting Arrangements

6.1. The Authority must be functionally independent from the MA and the CA and the Authority should report to a hierarchical level different than the MA's and CA's reporting levels. This enables the Audit Authority to be part of the same public authority or body (e.g. a ministry) together with the MA and/or the CA, provided that the principle of separation of functions is respected.

6.2. The Audit Authority is headed by a tier 3 manager, whereas the Managing and Certifying Authorities are both headed by a tier 4 manager.

6.3. The Head of Authority will have direct access to the Executive Director of Finance (Section 151 Officer) and Audit Committee and will report on administrative and budgetary matters to the Executive Director of Finance.

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.

Norfolk County Council
Internal Audit and Interreg VA France Channel England Programme Audit Authority - Terms of Reference

6.6. The Authority shall notify the MA and the internal FCE programme board of any risks to the drawdown of ERDF Structural Funds arising from its regulatory audits of ETC expenditure, the audits of systems in the Certifying Authority and Managing Authorities and audit work in relation to the annual partial closure of accounts. Where unresolved, unmitigated risks will be identified in the Annual Control Report, which will be shared with the Consultative Audit Group for consultation and with Programme Monitoring Committee by the MA for information.

6.7. Individual audit reports will be shared by the AA with the relevant national authority representative prior to finalisation and will be shared by the MA with the Programme Monitoring Committee (or appointed sub-committee) for information once finalised.

6.8. The Authority will submit a Winding Up Report to the European Commission at the end of the 2014-20 programming period, on the closure of the FCE ETC programme and inform the Audit Committee of any risks arising from closure which would affect the drawdown of ERDF Funds.

APPROVAL

Adrian Thompson
Chief Internal Auditor and …………………………………..
Head of the Audit Authority

Simon George
Finance Executive Director and …………………………………..
Section 151 Officer

Ian Mackie
Chair of the Audit Committee …………………………………..

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

Introduction

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

The Code of Ethics is based on five pillars,

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.

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

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.

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

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.

Audit Committee

Item No 13

Report title:	**Minimum Revenue Provision Policy 2015-16 (revision) and 2016-17**
Date of meeting:	**29 January 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

In order to ensure that the borrowing can be re-paid over time, regulations state that the Council must set aside an amount each year for this purpose. This amount forms part of the Council's annual revenue budget, and is known as the "Minimum Revenue Provision".

A proposed revision to the MRP policy plus supporting papers is attached. The revised policy will be presented through P&R Committee for decision at County Council.

Executive summary

1.1 Capital expenditure can be paid for immediately by applying capital receipts, capital grants or revenue contributions. Capital expenditure in excess of these resources adds to the Council's borrowing requirement, which represents outstanding capital expenditure which has not yet been paid for from either capital or revenue resources.

1.2 Borrowing has been undertaken to fund the capital borrowing requirement to the extent that external borrowing has been necessary and/or prudent.

1.3 The Executive Director of Finance is proposing a change to the way MRP is calculated, and the implications are shown in the draft P&R paper attached.

1.4 The Committee's view on the proposed MRP policy will be taken into account when preparing the final report for P&R and County Council.

Members are asked to:

- Note the impact of the proposed MRP policy.
- Consider and comment on the proposed MRP policy.

Evidence

Council's Treasury Management Panel – summary of conclusions and observations

2.1 The proposed MRP policy was discussed by the Council's Treasury Management Panel on 7 January 2016. As a result of their recommendations the following changes have been made to the proposed P&R report:

- Projections of savings covering the next 10 years
- A note that the TM panel will review the policy annually, in advance of it being considered by the P&R Committee.

2.2 Points raised by Treasury Panel included the following:

- The approach reflects a more autonomous authority
- Whether it is prudent to reduce the money being set aside
- That the current policy may be overly prudent
- The policy includes a provision such that there will always be sufficient to service debt repayments
- The need to align the policy with the needs of the authority in the current financial climate
- Whether in 5 year's time the savings will need to be found again
- The policy will need to be reviewed regularly.

2.3 In conclusion the Panel supported a change in the MRP policy provided that:

- further details on future savings is provided to Policy and Resources Committee (now included in the table at 5.7) and
- the policy is scrutinised annually by the Treasury Management Panel to ensure it continued to reflect the needs of the County Council before being passed to the Policy and Resources Committee and Full Council for approval.

As indicated in 2.1 above, the draft papers attached have been updated accordingly.

Financial implications, and issues, risks and innovations

3.1 Financial implications, and issues, risks and innovations are addressed in the attached draft P&R Committee report.

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
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Draft for 8 February 2016 P&R meeting

Item No……

Report title:	**Minimum Revenue Provision Policy 2015-16 (revision) and 2016-17**
Date of meeting:	***Draft for 8 February 2016 P&R meeting***
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

MRP is a charge to the revenue account in relation to capital expenditure financed from borrowing or credit arrangements, and can be thought of as a provision for "debt repayment".

Regulations 27 and 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) require that a local authority "shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent".

Executive summary

A minimum revenue provision (MRP) policy is set each year by the County Council. The revised policy, if approved, will release revenue to support the revenue budget, without compromising the Council's responsibility to set aside amounts sufficient to re-pay its debt.

Members are asked to:

- **approve the revised 2015-16 Minimum Revenue Provision statement set out in Appendix 2, to be applied in 2015-16 and 2016-17**
- **note that the policy is approved annually by County Council and**
- **note that the policy will be scrutinised annually by the Treasury Management panel before passing to the Policy and Resources Committee for further debate, to ensure the policy continues to reflect the needs of the authority.**

1. Introduction

1.1 MRP is a charge to the revenue account in relation to capital expenditure financed from borrowing or credit arrangements, and can be thought of as a provision for "debt repayment".

1.2 The MRP policy should be set by the authority's full Council, and changes should also be approved at full Council.

2. Evidence

2.1 This report proposes a revision to the Council's MRP policy. The reasons for and implication of the policy are set out in Appendix 1, and the revised policy is attached as Appendix 2.

2.2 The key change relates to pre 1 April 2008 capital expenditure, and later expenditure funded through the supported borrowing regime which existed until that date. The current policy calculates MRP on this element by applying a set percentage (4%) on a reducing balance basis. The revised policy adapts the Regulatory Method of accounting for MRP by setting aside a fixed amount each year, calculated as 2% of the balance at 31 March 2015. This annual amount of "pre-2008" MRP will be £10.158m.

2.3 In addition, the policy has been changed to align the capital receipt received when debt is repaid by third parties with the associated Council debt repayment, thus removing the need to account for MRP in these circumstances. This has been extended to include projects where a third party has committed to underwrite the debt costs of a specific project through amounts reserved for capital purposes.

2.4 A further change allows for a wider application of the annuity method for post 2008 expenditure, where appropriate and as allowed for under statutory guidance.

2.5 With all authorities facing significant financial challenges, a number of councils across the country are reviewing their MRP policy, and the proposed approach has already been adopted by other authorities.

3. Financial Implications

When the latest MRP rules were revised in 2008, the Council operated in a very different financial climate.

The proposed "straight line" method will result in full provision, whilst remaining prudent and affordable. Under the proposed method, all "pre-2008" debt will be fully provided for over a period of 50 years.

The latest estimate of MRP in 2015-16 under the current method is £24.9m, of which £20.3m relates to pre 2008 capital expenditure. The revised policy will allow MRP to reduce by £10.157m in 2015-16 and £9.345m in 2016-17. The impact on the revenue budget over the medium term, after allowing for reduced interest receivable, is shown in paragraph 5.7 of Appendix 1.

4. Issues, risks and innovation

Risk implications

4.1 Financial risk is considered as part of the overall budget setting process and financial monitoring throughout the year as reported to members.

4.2 The policy has been shared with the Council's auditors and advisors, and their views have been taken into consideration.

5. Background

5.1 The County Council approved the original 2015-16 MRP policy at its meeting on 16 February 2015.

Officer Contact

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

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Appendix 1: Rationale and Implications of new MRP policy

1. Purpose

1.1. This paper reviews the Council's General Fund minimum revenue provision ("MRP") policy and sets out proposed changes.

2. Statutory basis of MRP

2.1. Regulations 27 and 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) require that a local authority "shall determine for the current financial year an amount of minimum revenue provision which it considers to be prudent".

2.2. MRP is a charge to the revenue account in relation to capital expenditure financed from borrowing or credit arrangements, and can be thought of as a provision for "debt repayment".

2.3. The Secretary of State has issued statutory Guidance on determining the "prudent" level of MRP. Authorities are required to have regard to this guidance. The current revision of the Guidance is the third edition applicable from 1 April 2012. The Guidance is in turn supported by an "informal commentary" from the Department of Communities and Local Government.

2.4. The Guidance clarifies that the MRP policy should be set by the authority's full Council (or closest equivalent), and changes should also be approved at full Council.

2.5. In 2007 the Government concluded that previous prescriptive arrangements should be replaced by a system of self-regulation. The Informal Commentary to the Capital Finance and Accounting (Amendment) (England) Regulations 2007 said "the present scheme of MRP looks out of place in the broader context of the Prudential system, which is based on simple legislation backed up by standard accounting codes and guidance, and allows authorities significant local discretion based on their own judgement as to what is prudent".

3. The Council's objectives in reviewing its MRP Policy

3.1. The Council's MRP policy has evolved since 2007, at the start of the new MRP system, but remains essentially unchanged.

3.2. The statutory guidance issued gave examples of how MRP could be calculated easily and conservatively, and most authorities adopted them without adaptation which resulted in very prudent MRP policies.

3.3. With all authorities facing significant financial challenges, a number of councils across the country are reviewing their MRP policy and are amending those calculations which now seem over-prudent.

3.4. A number of relatively minor adjustments have been made over the years as new types of project have arisen, for example in relation to loans to companies. However, these changes have not addressed the question of what is prudent, after having regard to the statutory guidance.

3.5. Substantial General Fund budget reductions are required over the next three financial years, in addition to the substantial reductions already made. The Council should seek to ensure a stable and deliverable financial transition over the next few years, in the interest of prudent management of the Council's finances generally as well as MRP.

4. Principles of MRP: the meaning of "prudent provision"

4.1. Regulations do not define the meaning of the term "prudent provision" in regulation 28.

4.2. The statutory MRP Guidance to which the Council must have regard states that "the broad aim of prudent provision is to ensure that debt is repaid over a period that is either reasonably commensurate with that over which the capital expenditure provides benefits, or, in the case of borrowing supported by Government Revenue Support Grant, reasonably commensurate with the period implicit in the determination of that grant".

4.3. The Guidance does not stipulate a minimum amount of provision to be made in any particular year, providing that the broad aims or prudent provision are met. It does suggest four options, two of which apply to pre-2008 supported borrowing, and two which relate to schemes funded from borrowing under the "prudential borrowing" regime.

4.4. Of the four options suggested, two have not been used by Norfolk County Council

Applicable to pre 1 April 2008 expenditure and later expenditure funded through supported borrowing	**Used in existing MRP policy?**
Option 1 – regulatory method: applying the statutory formula set out in the 2003 Regulations (as amended) before it was revoked by the 2008 Regulations	No
Option 2 – CFR method: multiplying the Capital Financing Requirement at the end of the preceding financial year by 4%.	Yes
Applicable to Post April 2008 expenditure funded through "prudential borrowing"	
Option 3 – asset life method: amortising expenditure over an estimated useful life for the relevant assets created.	Yes
Option 4 – depreciation method: making charges to revenue based on proper practices for depreciation as they apply to the relevant assets.	No

4.5. In having regard to the Statutory Guidance, and if agreed, the Council will adapt Option 2 as described in Section 5 below, and continue to apply Options 3, as described in section 6 below.

4.6. Actual MRP provision in the past five years has been as follows:

MRP	**2010-11**	**2011-12**	**2012-13**	**2013-14**	**2014-15**
	£m	**£m**	**£m**	**£m**	**£m**
On pre-2008 Supported Borrowing	23.470	23.970	23.012	22.078	21.180
On Unsupported Prudential Borrowing	1.409	1.576	2.182	2.330	2.414
On Finance Leases and other adjustments	4.079	3.878	4.150	2.778	2.911
Total	28.958	29.424	29.344	27.186	26.505

4.7. The latest estimate of MRP due in 2015-16 is £24.9m. In accordance with the objectives set out in section 3 above, proposed changes to the Council's MRP policy are described below. A revised MRP policy Statement accompanies this paper.

5. Proposed changes to MRP policy - pre 1 April 2008 expenditure, and later expenditure funded through supported borrowing

5.1. The CFR method multiplies the Capital Financing Requirement at the end of each preceding financial year by 4%, which reduces the CFR balance accordingly. This "reducing balance" method has the characteristic that the debt is never entirely repaid, but in any one year may be in excess of the amount actually needed to be set aside to re-pay debt.

5.2. The amount set aside for MRP on pre-2008 supported borrowing under the CFR method using a 4% reducing balance, is as follows:

Financial year	Capital Financing Requirement on pre-2008 supported borrowing (start of year)	Estimates of 4% MRP on b/f CFR	Other movements in CFR
	£m	£m	
2008-09	547.207	-21.888	41.858
2009-10	567.177	-22.687	42.257
2010-11	586.747	-23.470	35.983
2011-12	599.260	-23.970	0.002
2012-13	575.292	-23.012	-0.329
2013-14	551.951	-22.078	-0.381
2014-15	529.492	-21.180	-0.429
2015-16	507.883	-20.315	-0.480
2016-17	487.088	-19.484	-0.494
2017-18	467.110	-18.684	-0.344
2018-19	448.082	-17.923	-

Note: prior to 2014-15, MRP on unsupported or prudential borrowing on pre 2008 expenditure was calculated separately. The figures in the tables above have been attributed in accordance with the method used since 2014-15, which absorbed all pre-2008 borrowing into the supported borrowing figure.

5.3. In recent years the amount set aside as MRP on pre-2008 expenditure is in the order of £20m, reducing by approximately 4% each year. Increases in the CFR and MRP in the years immediately after 2008 are accounted for by post 2008 expenditure which was funded through pre-2008 supported borrowing. This expenditure is shown in the "other movements" column, along with annual adjustments for finance leases.

5.4. As noted above, the Statutory Guidance for borrowing supported by Government Revenue Support Grant says that prudent provision should be made to ensure that debt is repaid over a period reasonably commensurate with the period implicit in the determination of that grant. However, since the Business Rates changes in 2013-14 there is no component of grant determining an implicit level of support for debt re-payment so prudent but affordable alternatives need to be explored.

5.5. The reducing balance method currently applied to pre-2008 expenditure means that it will take more than 150 years to bring the debt to below £1m, and full provision for debt re-payment will never be made.

5.6. A straight line method will mean that MRP in respect of 2008 debt is fully provided over a pre-defined period. It is therefore proposed that it would be prudent and affordable to adapt the Regulatory Method of accounting for MRP by setting aside a fixed amount each year, calculated as 2% of the balance at 31 March 2015. This annual amount will be £10.158m.

5.7. The effect on MRP in 2015-16 and 2016-17 is estimated as follows.

Financial year	Current policy	Revised policy	Direct effect on revenue budget	Max impact on interest receivable (cumulative)	Net effect on revenue budget
	£m	£m	£m	£m	£m
2015-16	20.315	10.158	10.157	0.050	10.107
2016-17	19.503	10.158	9.345	0.148	9.197
2017-18	18.723	10.158	8.565	0.238	8.327
2018-19	17.974	10.158	7.816	0.320	7.496
2019-20	17.255	10.158	7.097	0.394	6.703
2020-21	16.565	10.158	6.407	0.462	5.945
2021-22	15.902	10.158	5.744	0.523	5.222
2022-23	15.266	10.158	5.108	0.577	4.531
2023-24	14.655	10.158	4.498	0.625	3.873
2024-25	14.069	10.158	3.911	0.667	3.244
2025-26	13.506	10.158	3.349	0.703	2.645
Note: some figures above subject to rounding differences					

5.8. In the initial years, the "pre-2008" element of MRP using a 2% straight line calculation is lower than using a 4% reducing balance. The amounts become comparable in the 18th year, and the contribution remains constant thereafter to ensure that debt is fully provided after 50 years, rather than the alternative which leaves £65m not provided at that point. The proposed fixed rate therefore ensures that the pre-2008 debt is fully provided considerably earlier than it would be under the existing method, and 50 years, is a reasonable approximation of the average useful life of assets funded by this expenditure such as land, highways and school buildings.

5.9. Because under the current policy the MRP reduces each year, and under the proposed policy it is a fixed annual charge, the net effect of the proposed policy on the revenue budget will reduce over time, as shown in the table above.

5.10. The net financial impact of the change in policy depends on the assumptions made as to whether the savings will be spent. The cumulative effect of reduced interest received on balances is shown in the above table on the basis that MRP savings will be incorporated into future revenue budgets and will be spent mid-year, and that interest on balances will be at an average of 1%.

5.11. The latest estimate of total MRP due in 2015-16 under the current policy is £24.9m, including £20.315m in relation to pre-2008 borrowing. The Council's section 151 officer will apply the revised policy to calculate the prudent amount to set aside in 2015-16, and as part of the budget setting process for 2016-17. As can be seen from the table above, this will lead to in-year expenditure reductions of £10.157m in 2015-16 and £9.345m in 2016-17, offset by the reduction in interest receivable shown in the table above.

6. Proposed changes to MRP policy - Post April 2008 expenditure funded through "prudential borrowing"

6.1. For Post April 2008 expenditure funded through "prudential borrowing, it is proposed to continue to use Option 3, the asset life method: amortising expenditure over an estimated useful life for the relevant assets created.

6.2. Under this method, MRP is chargeable in the first financial year after the relevant asset becomes operational, although where not material smaller assets (under approximately £1m) may be combined for the purpose of calculations and MRP calculated on expenditure in the previous year.

6.3. Option 3 allows for an equal instalment method, or the annuity method, where appropriate. The annuity method is likely to be appropriate where an asset produces a steady or increasing flow of benefits over its useful life. Existing practice has been to use the equal instalment method for assets apart from those funded through loans to third parties, but significant new and existing asset will be assessed for the most appropriate treatment. The current policy specifically applies the annuity method to loans to third parties, but this is no longer relevant due to the proposed change in 7 below.

7. Proposed changes to MRP policy – loans to third parties

7.1. It is proposed to amend the MRP policy in relation to capital loans. The change will require repayment provision to be made from the capital receipts arising from the repayment of the loan by the third party, subject to a revenue charge if the loan is impaired or uncertain.

7.2. This amendment will also extend to arrangements where a third party has committed to underwrite the debt costs of a specific project through amounts reserved for capital purposes which could otherwise not be used to service the (revenue) MRP charge.

7.3. This change will have only a marginal effect on MRP, approximately £0.064m in 2015-16, but it has the effect of matching the annual re-payments of capital by third parties with the notional re-payment of debt which accords with the underlying purpose of MRP.

7.4. No additional revenue provision is necessary because under The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, capital receipts may be used to repay the principal of any amount borrowed.

8. Treasury Management

8.1. The Council's average cash balances in December 2015 were over £200m, with a minimum in the year to date of £174m.

8.2. There is no direct impact on Treasury Management from the above proposals. However, there is a potential indirect impact in that reducing MRP will allow increased cash expenditure from the annual revenue budget, and the impact of this on interest receivable is taken into account above.

8.3. The Prudential Code for Capital Finance in Local Authorities 2011 Edition has been reviewed, and the proposal will have no direct effect on prudential indicators. The code covers affordability and prudence, and this proposal is consistent with the guidance. The Code states that an Authority should set upper and lower limits with respect to the maturity structure of its borrowing. While this proposal does not affect the limits, the effect on the MRP under the proposed policy would need to be taken into account if the current debt was to be radically re-structured in accordance with the current maximum limits.

8.4. The Code of Practice and Cross Sectoral Guidance Notes (2011 Edition) and Treasury Management in the Public Services Guidance Notes for Local Authorities 2011 Edition do not address MRP specifically, but they do address managing treasury management risks, in particular effective cash and cash flow forecasting and monitoring systems to identify potential cash flow variations and shortfalls. The proposed policy clearly allows for sufficient funds to be built up to ensure debt can be re-paid in the short, medium and long term.

8.5. The Cross Sectoral Guidance also addresses decision making and says that the organisation should consider the on-going revenue liabilities created, and the implications for the organisation's future plans and budgets. Again, this proposal is fully consistent with this advice.

9. Conclusions

9.1. The proposals above are considered to be consistent with the statutory duty on the Council to make prudent provision, having regard to the Government Guidance and advice received.

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Appendix 2: Proposed MRP statement 2015-16 (revision) and 2016-17

A1 Regulations issued by the Department of Communities and Local Government in 2008 require the Council to approve a Minimum Revenue Provision (MRP) statement in advance of each year.

A2 Members are asked to approve the MRP statement annually to confirm that the means by which the Council plans to provide for repayment of debt are satisfactory. Any revisions to the original statement must also be issued. Proposals to vary the terms of the original statement during the year should also be approved.

A3 MRP is the provision made in the Council's revenue budget for the repayment of borrowing used to fund capital expenditure - the Council has a statutory duty to determine an amount of MRP which it considers to be prudent, having regard to guidance issued by the Secretary of State.

A4 For 2015-16, the Council has adopted the following revision to its policy in relation to calculating the Minimum Revenue Provision, and this policy will also apply in 2016-17:

- For capital expenditure incurred before 1 April 2008, and all capital expenditure since that date which is supported by Formula Grant (supported borrowing), the MRP policy will be provide a fixed annual sum of £10.158m, calculated as 2% of the 31 March 2015 pre-2008 Capital Financing Requirement balance.
- For expenditure since 1 April 2008, the MRP policy for schemes funded through borrowing will be to base the minimum provision on the estimated life of the assets in accordance with the guidance issued by the Secretary of State.

A5 Where loans are made to third parties for capital purposes, the capital receipt received as a result of each repayment of principal, under the terms of the loan, will be set aside in order to re-pay NCC borrowing and to reduce the Capital Financing Requirement accordingly. MRP will only be accounted for if an accounting provision has been made for non-repayment of the loan or if there is a high degree of uncertainty regarding the repayment. This arrangement will also be applied where a third party has committed to underwrite the debt costs of a specific project through amounts reserved for capital purposes.

A6 The Council will continue to make provision at least equal to the amount required to ensure that each debt maturity is met.

Audit Committee

Item No 14

Report title:	**Highways Network Asset – impact on 2016-17 Accounts**
Date of meeting:	**29 January 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

The Code of Accounting Practice for 2016-17 will change the way in which Local Authorities are required to account for their Highways Network Asset from the existing Depreciated Historic Cost to Depreciated Replacement Cost. This is to be effective from 1 April 2016.

This change is likely to result in an increase in the gross asset values of infrastructure assets from less than £1bn to over £20bn. There will be no impact on the General Fund.

Executive summary

A change in the Code of Accounting Practice for 2016-17 will result in a material change to the Council's policy for accounting for its Highways Network Asset from April 2016.

Members are asked to:

- **Note the impact of the change in accounting treatment of the Highways Network Asset will have on the 2016-17 Statement of Accounts.**
- **Note current progress is satisfactory.**

1. Introduction

1.1 A change in the Code of Accounting Practice for 2016-17 will result in a material change to the Council's policy for accounting for its Highways Network Asset from April 2016.

As a result of this change, it is likely that the gross asset values of the largest class of non-current assets on the Council's balance sheet: infrastructure assets, will increase from less than £1bn to over £20bn.

The depreciation charge shown in the Council's Income and Expenditure statement (CIES) will more than double. This is a large change, but the overall impact on the CIES will be far less significant than the change effect of the changes on the balance sheet.

The changes will bring the asset values into line with those that have been submitted by the Council for some years as part of Treasury's "Whole of Government Accounts". These are accounting adjustments only, and will have no impact on the General Fund or the Council Tax account.

2. Evidence

2.1 The 2015-16 External Auditor's report to this committee included the following:

Highways Network Asset (formerly Transport Infrastructure Assets):

- o The Invitation to Comment on the Code of Accounting Practice for 2016/17 (ITC) sets out the requirements to account for Highways Network Asset under Depreciated Replacement Cost from the existing Depreciated Historic Cost. This is to be effective from 1 April 2016.
- o This will be a material change of accounting policy for the Council. It will also require changes to existing asset management systems and valuation procedures.
- o Nationally, latest estimates are that this will add £1,100 billion to the net worth of authorities.
- o CIPFA have produced LAAP bulletin 100, which provides a suggested timetable for actions to prepare for this change. This has been supplemented by the issue of the Code of Practice on Transport Infrastructure Guidance Notes (May 2015) and ITC (July 2015).

2.2 More recently, CIPFA have published Highways Network Asset Briefing Number 1 confirming that "the new accounting policies will be applied from 1 April 2016, with no requirement to restate the information in the preceding year". This means that the only impact on the 2015-16 accounts will be a note stating the likely impact of the forthcoming accounting treatment.

2.3 The transitional requirements are expected to be confirmed in an update to the 2015-16 Code to be issued January 2016, but these have not been received at the time of writing.

3. Financial Implications

3.1 There is no direct financial implication on the authority. The change will not result in additional expense or income in the general fund. It is anticipated that the additional highways and finance resource required to address the change will be absorbed within current budgets.

3.2 Long term assets and therefore net assets will see a material increase in the Council's balance sheet. This will be offset by an increase in the Council's unusable reserves. There will be a large initial Surplus on Revaluation in the 2016-17 accounts, and higher annual depreciation charges.

4. Issues, risks and innovation

Risk implications

4.1 The 2015-16 External Auditor's report stated that "the Council will need to consider:

- o How it can demonstrate completeness of base information, through working closely with highways and other relevant departments; and
- o How it can ensure that valuation information is appropriate to the Council, and that national valuation indicators are not used without consideration of their appropriateness locally."

4.2 The above points have been discussed with Highways colleagues, who are in the process of documenting the systems and controls which will generate the gross replacement cost and depreciated replacement cost for the Highways Network Asset. The systems have been used to produce Whole of Government Accounts returns, but have not previously been subject to audit.

4.3 Draft systems documentation has been shared with the Council's external auditors, and the Council's general approach discussed. It is likely that this area will be subject to audit scrutiny in 2016-17, and has been suggested as an area for inclusion in the internal audit programme.

5. Background

5.1 CIPFA has indicated that the Highways Network Asset should only be recognised in a local authority financial statements if it meets the definition of a Network and specifically the Highways Network Asset. For a highways authority such as Norfolk County Council, there is no doubt that the new rules apply.

5.2 The gross book value of Infrastructure Assets in the Council's 2014-15 statement of accounts is £0.832bn, with the depreciated net book value of £0.622bn. Over 99% of these assets by value are likely to transfer to the Highways Network Asset.

5.3 In contrast, the gross book value of assets reported for WGA purposes is over £23bn.

Highways Network Asset – sub category	**Value £bn**	**%age**
Carriageways	8.000	33.8%
Footways and Cycleways	0.552	2.3%
Structures	0.448	1.9%
Lighting	0.093	0.4%
Traffic Management	0.030	0.1%
Street Furniture	0.027	0.1%
Land	14.543	61.4%
Total gross book value	**23.693**	**100.0%**
Total net book value ref Appendix 1	22.878	

5.4 The values shown above are clearly material to the NCC accounts, and the changes therefore apply. Non-compliance would result in a qualified audit opinion.

5.5 As can be seen from the table above, the vast majority of the value is concentrated in two areas; carriageways (including all roads) and the associated highways network land. As a result, the focus will be on systems which record the completeness and accuracy of highways systems.

5.6 The land value represents a value for all land under and associated with the Highways Network. The calculated value is highly dependent on centrally provided valuations, specific to areas of the Country and the environment (rural/urban etc). Even if this were to change significantly, the impact of the new accounting rules on the Council's accounts will be considerable.

6. Conclusion

6.1 The Council is making good progress towards complying with the new accounting requirements for the Highways Network Asset which will be required for the 2016-17 Statement of Accounts.

Officer Contact

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Technical Details

Definitions

Depreciated Historic Cost
The method of valuation of assets at the actual cost of their acquisition and subsequent enhancement, less accumulated depreciation calculated to reflect the already consumed or expired future economic benefits of the asset.

Depreciated Replacement Cost (DRC)
The method of valuation of assets at the cost of replacing with an identical new asset or a modern equivalent, less accumulated depreciation calculated to reflect the already consumed or expired future economic benefits of the asset.

Highways Network Asset
A network and grouping of inalienable components, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. For Norfolk County Council this would be the network of highways, footways and cycleways and the structures, street lighting and other assets that are directly associated with them. It will not include assets such as car parks, maintenance depots and bus stations.

The systems used

A Valuation Toolkit is produced annually in association with Atkins, the Chartered Institute of Public Finance and Accountancy (CIPFA), Department for Transport (DfT) and the Highways Asset Management Financial Information Group (HAMFIG). This toolkit combines information from Norfolk County Council's inventory and national rates to produce the Gross Replacement Cost for Carriageways and Land as well as the DRC for Footways & Cycleways, Street Lighting, Street Furniture and Traffic Management Systems.

The depreciation for carriageways is calculated using UK Pavement Management System (UKPMS) and is based on condition surveys of the council's road inventory.

The DRC for structures is calculated using the asset management system and uses condition surveys, national rates and the council's inventory.

Change to the Accounts

Comprehensive Income and Expenditure Statement
The depreciation charge is shown in the Comprehensive Income and Expenditure Statement (CIES) within Gross Expenditure for Highways and Transport Services. Once the valuation method has changed this will increase the Cost of Services by nearly £37m and as a result increase the Deficit on Provision of Services by £37m.

	Current (Historic Cost) £'000	Future (Replacement Cost) £'000	Difference £'000
Deficit on Provision of Services	20,859	57,841	36,982

Movement in Reserves Statement
The increase in depreciation is then removed from the General Fund through the Movement in Reserves Statement (MIRS). This means that the increase in depreciation due to the revaluation does not affect the General Fund balance.

	Current (Historic Cost) £'000	Future (Replacement Cost) £'000	Difference £'000
Surplus/Deficit on Provision of Services	20,859	57,841	36,982
Accounting Adjustments	(20,859)	(57,841)	(36,982)
Movement in General Fund	0	0	0

Balance Sheet
The change in valuation will increase the Net Book Value of the asset held in the Balance Sheet by over £22bn. This increase is matched by an increase of the Revaluation Reserve, part of the unusable reserves.

	Current (Historic Cost) £'000	Future (Replacement Cost) £'000	Difference £'000
Highways Network Asset	610,136	22,877,958	22,267,822
Unusable Reserves	(610,136)	(22,877,958)	(22,267,822)

All figures are based on 2014-15 and are for illustration only.

Audit Committee

Item No 15

Report title:	**Work Programme**
Date of meeting:	**28 January 2016**
Responsible Chief Officer:	**Executive Director of Finance**

Strategic impact

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.

In accordance with its Terms of Reference the Committee should consider the programme of work set out below.

April 2016	
NAS Quarterly Report Quarter ended 31 December 2015	Executive Director of Finance
Whistleblowing Policy Update	Head of Law
Risk Management Report	Executive Director of Finance
External Audit - Audit Plan	Executive Director of Finance
Chairman's Annual Report 2015-16	Chairman
Audit Committee Terms of Reference	Executive Director of Finance
Audit Committee Work Programme	Executive Director of Finance
June 2016	
NAS Quarterly Report Quarter ended 31 March 2016	Executive Director of Finance
Monitoring Officer Annual Report 2015-16	Head of Law
Annual NAS Report 2015-16	Executive Director of Finance
Risk Management Report	Executive Director of Finance
Anti-Fraud and Corruption Update	Head of Law
Audit Committee Work Programme	Executive Director of Finance
September 2016	
NAS Quarterly Report Quarter ended 30 June 2016	Executive Director of Finance

Risk Management Report	Executive Director of Finance
Audit Committee Work Programme	Executive Director of Finance
Annual Governance Statement 2015-16 for Approval	Executive Director of Finance
Statement of Accounts 2015-16 for Approval	Executive Director of Finance
Letter of Representation for Statement of Accounts 2015-16, Audit Results Report 2015-16	Executive Director of Finance/External Auditors
Internal Audit Plan for the second half of 2016-17	Executive Director of Finance

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