

Audit and Governance Committee

Date: **Tuesday 30 April 2024**

Time: **2pm**

Venue: **Council Chamber, County Hall, Martineau Lane,
Norwich NR1 2DH**

Membership

Cllr Ian Mackie (Chairman)
Cllr Robert Savage (Vice Chairman)

Cllr Terry Jermy
Cllr Mark Kiddle-Morris
Cllr Saul Penfold
Cllr Karen Vincent
Cllr Tony White

Chris MacDonald (independent person)
Tracey Colman (independent person)

Advice for members of the public:
This meeting will be held in public and in person

It will be live streamed on YouTube and members of the public may watch remotely by clicking on the following link: [Norfolk County Council YouTube](#)

We also welcome attendance in person, but public seating is limited, so if you wish to attend please indicate in advance by emailing committees@norfolk.gov.uk

Current practice for respiratory infections requests that we still ask everyone attending to maintain good hand and respiratory hygiene and, at times of high prevalence and in busy areas, please consider wearing a face covering.

Please stay at home if you are unwell, have tested positive for COVID 19, have symptoms of a respiratory infection or if you are a close contact of a positive COVID 19 case. This will help make the event safe for attendees and limit the transmission of respiratory infections including COVID-19.

Agenda

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

2. **Minutes**

To confirm the minutes of the meeting held on Tuesday 13 February 2024.

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3. **Members to Declare any Interests**

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

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

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

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

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

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

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

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

5. **Norfolk County Council's Insurance Cover**

Report by the Director of Strategic Finance

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6. **Governance, Control and Risk Management of Treasury Management 2023-24**

Report by the Director of Strategic Finance

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7. **External Audit Reports to those charged with governance**

Report by the Director of Strategic Finance

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8. Risk Management Quarterly Report Report by the Director of Strategic Finance	Page 163
9. Internal Audit Strategy, Approach and Audit Plan for 2024-25 Report by the Director of Strategic Finance	Page 215
10. Norfolk Audit Services Quarterly Report for period ending 31 March 2024 Report by the Director of Strategic Finance	Page 246
11. Anti-Fraud, Bribery and Corruption Report (including whistleblowing) for the period ending 31 March 2024 Report by the Director of Legal Services and Monitoring Officer	Page 260
12. Terms of Reference for the Audit and Governance Committee Report by the Director of Strategic Finance	Page 270
13. Forward Work Programme Report by the Director of Strategic Finance	Page 298

Tom McCabe
Chief Executive
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Date Agenda Published: 22 April 2024



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Audit & Governance Committee
Minutes of the Meeting held in Council Chamber, County Hall
on Thursday 15 February 2024 at 2pm.

Present:

Cllr Ian Mackie – Chairman
Cllr Robert Savage - Vice-Chairman
Cllr Karen Vincent
Cllr Mark Kiddle-Morris
Cllr Tony White

Christine MacDonald (independent person)
Tracy Colman (independent person)

1 Apologies for Absence

- 1.1 Apologies were received from Cllr Terry Jermy.

2 Minutes

- 2.1 The minutes from the Audit & Governance Committee meeting held on 10 October 2023 were agreed as an accurate record and signed by the Chairman.

3 Declaration of Interests

- 3.1 Cllr Robert Savage declared an “Other Interest” as he was a Member of the Norfolk Pension Fund scheme.
- 3.2 Cllr Karen Vincent declared an “Other Interest” as she was a Member of the Norfolk Pension Fund scheme and she was the newly elected Chair of the Norfolk County Council owned companies Governance Panel.

4 Items of Urgent Business

- 4.1 The Chairman highlighted that they had received correspondence from Department for Levelling Up, Housing and Communities regarding the consultation of measures to solve the back log of audits that existed. The Assistant Director of Finance (Audit) read aloud the following statement;
“Local audit is both a vital and independent source of assurance and a key element of the checks and balances within the local accountability framework. A significant number of local audits in England are outstanding. The government, working with the Financial Reporting Council (FRC) and other system partners, is taking steps to clear the backlog and put the system on a sustainable footing moving forward.

A consultation seeks views on proposed legislative changes to the Accounts and Audit Regulations 2015 (the 2015 Regulations). The deadline is 7 March 2024.

System partners have published a joint statement explaining the package of measures and how the various elements are intended to interact.

A wider package of measures consists of 3 stages:

- Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024
- Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles
- Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The National Audit Office (NAO) is also consulting, in parallel to this consultation.

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) will consult on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce burdens on the finance teams and auditors, which we welcome.

The government has published a draft statutory instrument alongside the consultation.

Core elements of the proposed amendments to the 2015 Regulations are:

Phase 1: 'Backstop' proposals for financial years 2015/2016 to 2022/2023

The proposed changes to the 2015 Regulations would require Category 1 authorities to ensure that (subject to consideration of potential exceptional circumstances – see below) by 30 September 2024 they have published audited accounts for financial years 2015/2016 to 2022/2023.

An authority's ability to meet the requirement above would be contingent on an audit opinion being issued in time. For this reason, the NAO is proposing that the Code of Audit Practice be amended so that auditors are required (unless specific circumstances apply) to issue their opinion in time for the authority to publish its accounts by the specified date in the 2015 Regulations (in this case, 30 September 2024).

The proposal to set the backstop date at 30 September 2024 reflects the need to ensure sufficient time for auditors to issue opinions, including modified or disclaimed opinions due to the backstop, and for bodies to publish accounts containing those audit opinions once the legislation has come into force.

The NAO's consultation proposes that the Code of Audit Practice would introduce exemptions from the proposed statutory deadline for auditors in certain circumstances. These would include, for example, if the auditor is unable to issue their opinion where there are outstanding objections to the accounts that could be material to that opinion.

Under these proposals:

- the existing requirements in the 2015 regulations relating to the publication of unaudited accounts and to public inspection periods would continue to apply in their current form
- the published, audited accounts must also be approved in accordance with the regulation and therefore the approval must be given before the backstop date."

5 Norfolk Audit Services' Terms of References (Charter) and Code of Ethics

- 5.1 The committee received the report which presented the Terms of Reference for NAS (the Charter) and the Code of Ethics following review, in accordance with the model of

the Chartered Institute of Internal Auditors (CIIA).

- 5.2 The Chief Internal Auditor reassured the committee that he could operate without the undue influence of the Chief Executive or others within the Council and that he was covered to act under his membership of the professional body the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 5.3 Having considered the NAS Terms of Reference (the Charter) as set out in Appendix A, and the Code of Ethics as set out in Appendix B, the Committee **AGREED** the report.
- 5.4 The Chairman and the Director of Strategic Finance signed the Charter.

6. Norfolk Audit Service Quarterly Report ended 31 December 2024

- 6.1 The Committee received the report which introduced the results of the work that the internal audit team had completed in the period. The report enabled the Committee to fulfil their role, as those charged with governance, in accordance with their terms of reference.
- 6.2. With regards to page 33, point 2.17 and 2.18 of the report, Members noted that there will be a risk developed for the preparations of the County Deal. Officers explained that although there was not a corporate risk associated with the proposed County Deal, the overall picture was being considered and was developing rapidly with a desktop review of the project governance arrangements of the set up of the adult education budget and as part of that a risk register would be considered.
- 6.3 A written response would be given to a question regarding how many employees within the Council were working with visas or permits.
- 6.4 With regards to page 30, point 2.7, the Assistant Director of Finance (Audit) explained that a Principle Client Manager within the team had left to work at South Norfolk and he was in the process of recruiting their replacement. He was also recruiting to a senior audit role and hoping to develop the resources within the counter fraud team. Whilst there had been more turnover than he had wanted, there was reasonable reasons for leaving and he was comfortable that there was sufficient resources within the team. He was also able to use the budget to contract-in any specialist advice work if this was deemed necessary.
- 6.5 **The Committee AGREED:**
- The opinion on the overall adequacy and effectiveness of the County Council's framework of risk management, governance and control, for the quarter ending 30 September 2023, was 'Acceptable'.
 - The Audit Plan for the Audit Year 2023-24 (Appendix C), and that this work would deliver sufficient scope for the required assurances.
 - The audit service provided by NAS continued to conform with the International Standards for the Professional Practice of Internal Auditing (Public Sector Internal Auditing Standards (PSIAS)) as verified via an external Quality Assurance Assessment

during late 2022 and complied with the Accounts and Audit Regulations 2015 (as amended).

- That the Committee continued to review information on the effectiveness of the management processes and corporate control functions (legal, financial, information, health and safety and human resources services performed) as provided by internal audits, self-assessment, customer feedback and any existing external performance reviews.

7 Risk Management Report

- 7.1 This quarterly report references Norfolk County Council's corporate risk register as it stands in February 2024, using risk data that was presented within the risk management report to Cabinet on 10th January 2024. This report set out the key corporate risk management messages, agreed at the January 2024 Cabinet meeting following the review of corporate risks over the third quarter of 2023/24. Corporate risks continue to be monitored and treated appropriately in line with the Council's risk management framework and the Full Council-agreed strategy 'Better Together, For Norfolk'.
- 7.2 Officers reported that following the successful opening of the Great Yarmouth Third River Bridge, Cabinet would consider the closure of risk RM024 at the meeting in April. Residual risks would continue to be addressed at service or departmental level dependant on the nature of the risks.
- 7.3 In referring to risk RM031, the Chairman commented that although the Children's Services overspend was bigger than expected, given the level of demand this was not surprising. He suggested that a deeper dive into the overspend elements particularly the inflationary issues surrounding elements such as home to school transport could be considered at a future meeting. He was particularly interested in the forecasting of the budget.
- 7.4 Officers clarified that the delivery of the Environmental Policy was in the remit of Al Collier who was Director of Procurement and Sustainability,
- 7.5 The committee thanked the Risk Management Officer for the recently held risk management training sessions that had been held for members of the select committees. These were well received. It was reported that there were some more planned.
- 7.6 Officers clarified that the original score of RM031 was 25. It dropped to 20 but with the increases in demand it has returned to its original score of 25.
- 7.7 In referring to RM013 on page 66 of the report, Members clarified that under the governance protocols, the term 'shareholder committee' had been renamed the Norfolk County Council owned companies Governance Panel which met quarterly and considered all the corporate entities, not just Norse. It also had a work programme. The Chairman suggested that an update report could be brought to the next meeting.
- 7.8 Members reported that with reference to RM031, work was currently underway to

review some of the cost pressures of the Children's Services overspend and how those cost pressures could be mitigated particularly home to school transport and how that service could be delivered whilst managing those costs.

7.9 Having considered the report, the Committee AGREED the:

- a. key messages as per paragraphs 2.1 and 2.2 of this report
- b. key changes to the corporate risk register (**Appendix A**);
- c. corporate risk heat map (**Appendix B**);
- d. corporate risks as at January 2024 (**Appendix C**);
- e. information in the report was sufficient.
- f. Committee to explore in more detail at the next meeting; the Children's Services financial and demand forecasting and the governance of entities owned by Norfolk County Council, such as Norse.

8. Anti-Fraud, Bribery and Corruption Report (including Whistleblowing) for the period ending 31 December 2023

- 8.1 The Council's Anti-Fraud, Bribery and Corruption Policy continued to direct the proactive anti-fraud work undertaken by Council. This report provided an update in respect of the pro-active and reactive anti-fraud, bribery and corruption activity undertaken during the period ending 31 December 2023.
- 8.2 The report stated on page 101 that there had been 22 whistleblowing referrals made in the current financial year to date. Officers explained that this indicated that individuals were keen to report things they felt were an issue. There had also been work carried out within the organisation to encourage reporting to be made.
- 8.3 In referring to page 99, point 3.7 of the report, Officers explained that work was being carried out to develop the counter fraud team. Government published an expectation of the pro-active work that should be done in a year but the more reporting that happened, the more work this created and then more prevention work was needed.
- 8.4 Where possible, whistleblowers were updated throughout an investigation and asked if they were satisfied with the outcome and the actions that had been carried out to resolve the matters. It was always assessed on a case-by-case basis. Some whistleblowers preferred to remain anonymous and some investigations had to be confidential.
- 8.4 Having considered the report, the committee **AGREED** the key messages featured in part 3 of this report, that the work and assurance met their requirements and advise if further information was required.

9. Norfolk County Council Audit Results Report – Audit Committee Summary for the year ended 31 March 2022

- 9.1 This committee received the report which introduced the External Auditor's (Ernst & Young) Norfolk County Council Final Audit Results Reports for the year ended 31

March 2022. The report enabled the committee to formally consider matters raised by the Council's external auditors

- 9.2 Having considered the report, the committee
- **NOTED** the update to the audit scope for risk and materiality issued by Ernst & Young
 - **NOTED** and **AGREED** matters raised in the Ernst & Young Norfolk County Council and Audit Results Reports before Ernst & Young issue their audit opinions.
 - **NOTED** the previously acknowledged Ernst & Young Audit Results Reports for the Norfolk Pension Fund Audit 2021-22 received on 22 November 2022 before Ernst & Young issue their audit opinions

10. Forward Work Programme

- 10.1 The committee received the report which outlined the committee's work programme. The committee's work fulfilled its Terms of Reference as set out in the Council's Constitution and agreed by the Council. The terms of reference fulfilled the relevant regulatory requirements of the Council for Accounts and Audit matters, including risk management, internal control and good governance. Following constitutional changes agreed by Full Council on 19th of July 2022 the Audit and Standards Committee have merged.
- 10.2 Having considered the work programme for Committee, it was **AGREED**.

The meeting ended at 3pm

Cllr Ian Mackie – Chairman Audit & Governance Committee



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Audit and Governance Committee

Item No: 5

Report Title: Norfolk County Council's Insurance Cover

Date of Meeting: 30 April 2024

Responsible Cabinet Member: Not applicable

**Responsible Director: Harvey Bullen, Director of Strategic Finance
(Section 151 Officer)**

Is this a Key Decision? No

**If this is a Key Decision, date added to the Forward Plan of Key
Decisions:**

Executive Summary

The Council's Constitution includes in the Audit and Governance 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 the Council and subsidiary companies. 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 insured against financial loss.

This report provides the Audit and Governance Committee with information relating to the current position of the insurance provision for Norfolk County Council. The Insurance function is part of the Finance and Commercial Services Department.

The report provides members with assurance as to how the insurance provision is delivered and how claims against the Council and subsidiary companies are managed by the Insurance Team.

Recommendations:

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

1. Background and Purpose

- 1.1 Audit and Governance Committee members requested that they might have an annual report containing information about the insurance cover that is in place for Norfolk County Council and subsidiary companies.
- 1.2 Until 1992 the Council was insured with “Ground-up cover”, this is where an 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 as all the risk was held by the insurer. In 1993 it was agreed that on the Liability policy the Council would carry a deductible (excess) of £100,000 per claim.
- 1.3 To accommodate this decision, it was necessary to create an Insurance Fund to cover the element of the self-insurance to the £100,000 level as the Council would be responsible for all claim payments up to that value. Since the mid 1990’s our deductible across Liability and Motor policies has been increasing to the current £318,000, with Material Damage (Property) set at £250,000. The result of these higher levels of deductibles is that insurers can reduce the risk they have to cover and thus reduce the costs of premiums they charge, the Fund is then used to cover settlements up to the levels of the deductibles.
- 1.4 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 settlement in conjunction with the insured. The insurer will investigate, review, and decide upon liability, making their recommendations to the insured. Where there is a deductible, as with the Council, the insured will have responsibility and conduct of 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, particularly where a claim value will exceed the deductible. This process gives the insured much more control and certainty over the settlement of claims and therefore the associated costs.

2. Proposal

- 2.1 This report seeks to provide information and assurances to Members that there is adequate provision regarding the placement of insurance cover, managing claims and the associated risk mitigation measures throughout the Council and subsidiary companies.

3. Impact of the Proposal

- 3.1 It can be demonstrated that there is adequate insurance provision in place to protect the employees and assets of the of the Council and subsidiary companies.

4. Evidence and Reasons for Decision

- 4.1 There are many risks the Council and subsidiary companies face in delivering the services they provide. When risks have been identified, there are several industry accepted methods for treatment or mitigation of these risks.
- 4.2 There are four industry accepted methods of treating and mitigating 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 of the activity, e.g., contingency arrangements. Act 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 with agreed constraints.
 - **Transfer:** Share the exposure, either totally or in part, with a partner or contractor, or through insurance.
- 4.3 Risk transfer is usually accomplished using 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, the Council. In such an agreement, the insurer takes on strictly defined financial risks from the policyholder. If an event occurs that is covered by the insurance policy, the insurer will make good the agreed financial loss.
- 4.4 For providing this type of cover against a defined loss, the insurer charges a fee, or insurance premium for accepting the risk which is based on the perceived impact and likelihood of an event occurring. In addition, there may be deductibles, reserves, reinsurance, and other financial agreements that modify the financial risk the insurer is willing to take on.
- 4.5 Changes to the Insurance Act have placed a high responsibility on those seeking insurance cover to disclose all salient facts. There is a "Duty of fair representation" within the Act that requires "the insured to make a fair presentation of risks". A failure by the insured to follow this part of the Act

allows the insurer, at worst, to withdraw cover, at best, charge additional premiums to maintain the cover.

- 4.6 Not all identified risks are insurable, non-insurable risks are risks that an insurer is not willing to take on because the risks and future losses cannot be estimated. Examples of non-insurable risks would include criminal prosecution, loss of reputation, regulatory risks such as a change in the law and risks around political decision making.
- 4.7 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 claim's history of the organisation and how effective risk mitigation measures are that have already been implemented. The insurer will also look at what additional measures could be or are being implemented to reduce the perceived risks. The insurer will undertake audits of activities and surveys of property to determine how effective risk mitigation is.
- 4.8 In the last 12 months, RMP our Material Damage insurer has carried out full property surveys at 3 of our higher value properties to review all aspects of safety and maintenance. The 3 properties were Aylsham High School, Scottow Business Park and Gressenhall Farm Museum. In addition, NPS undertake valuation surveys of all the Council's property assets to ensure rebuild values are correct, this is a rolling 7-year programme of property on the portfolio. Currently the rebuild value of the property portfolio is £2.02bn.
- 4.9 For each location the surveyor produced a report with various action points and recommendations that needed to be addressed. The individual locations are working through the action points, none were regarded as high risks requiring immediate responses. Currently the action points are being resolved by the relevant management teams. The surveys give the insurer an insight into the way the Council and subsidiary companies manages the portfolio and where there may be specific risks.
- 4.10 **Insurance provision.**
Norfolk County Council and subsidiary companies retain a number of different insurance policies, however, only Employer's Liability insurance is a legal requirement under the Compulsory Insurance Act 1969. We hold other policies out of necessity to provide adequate protection to the Council and subsidiary companies, employees and third parties. All other protection could be underwritten by the Council, however, this would require the Council holding a limitless fund, sufficient to finance the total cost of all settled claims.

There are four main policy types that Norfolk County Council and the subsidiary companies hold cover on:

Employers Liability – As an employer, the Council has insurance against claims from employees for an alleged 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 acts or omissions of the Council and subsidiary companies as an employer. The limit of indemnity on this policy is £50 million with a deductible of £318,000.

Public Liability – This policy covers members of the public (non-employees) against claims for breach of duty or where the Council and subsidiary companies 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 as the Highway Authority. Currently the limit of indemnity on this policy is £50 million with a deductible of £318,000.

Property or material damage insurance – Cover for material damage to property owned by the Council and subsidiary companies and covers damage to both the physical property and contents of such properties as a result of applicable perils. Currently the limit of indemnity on this policy is the individual property reinstatement valuation assessed by NPS with an excess of £250,000. Contents values are based on reports provided by the individual services areas responsible for the items within the building.

Motor insurance – Cover for any motor vehicle which is the property of or in the custody or control of the Council and subsidiary companies. Currently the limit of indemnity on this policy is £50 million with an excess of £318,000. Although it is compulsory for all drivers to hold Motor insurance, the Road Traffic Act 1988, Section 144 provide an exemption to County and District Councils to self-insure all losses if they consider it appropriate.

4.11 There are a number of addition policies that the Council currently hold as follows:

Airside cover – Cover for incidents on the airside (live side) at an airport, this is specifically for the activities of the NFRS should they be required to attend to an incident at the airport.

Terrorism cover - Policy to cover acts of terrorism against County Hall only.

Fidelity Guarantee – Cover for direct acts of fraud, theft or dishonesty by an employee in the course of their employment.

Contract works - All risks policy to cover loss or damage to contract works undertaken for and on behalf of the Council where the works are to or adjacent to a property insured within the Material Damage policy.

Fine Art All Risks cover – Cover for art, collectables and exhibits owned or on loan to the Council.

Travel insurance – Cover for all authorised trip members worldwide, including school travel and the policy covers specialist medical assistance and repatriation if necessary.

Professional Indemnity – Covers financial loss as a result of acts or omissions in the professional services provided by the Council. A £5m limit of indemnity is included within the Public Liability policy, however an additional level of cover has been procured for NP Law because of the nature of the risks involved in providing that service.

- 4.12 As part of the insurance service provided by the Insurance Team there are several small, individual, and explicit or bespoke policies that have been purchased to cover very specific risks. Examples would be cover for asbestos surveys and removal, use of drones, and hired in plant cover.
- 4.13 The same main policy coverage extends to all the activities that are undertaken by the Council and subsidiary companies, such as Norse, Independence Matters and Repton Developments.
- 4.14 Premiums are paid on an annual basis to the insurer to purchase cover for the designated period. In addition to the premium, we are required to pay tax on all insurance policies purchased, the current level of Insurance Premium Tax (IPT) is 12%.
- 4.15 Prior to the annual insurance renewals, questionnaires are sent to Heads of Service and Executive Directors to identify all risks within individual service areas. The responses are then collated and provided to the insurers so they can assess the annual risks and calculate appropriate premiums. As previously noted, failure to present all our risks may breach the Insurance Act requirements. Heads of Service and Executive Directors are required to sign off each renewal questionnaire confirming that the information contained is true and accurate and reflects the current activities and risks to that service or company.
- 4.16 At present our main policies, Casualty (Employers and Public Liability) and Motor are placed with Zurich Municipal, Material Damage (Property Damage) is placed with AIG. Smaller or more specialist cover is placed with various specialist insurers through our broker, Aon. We have recently renewed policies for 2024-25 as the last year of the 5-year long term agreement. We will shortly be commencing a procurement exercise with the Procurement team and Aon for the full insurance programme covering all main lines of business.
- 4.17 The premiums charged are competitive market rates for the risks related to the activities of the Council and subsidiary companies. Those rates are then passed on to the individual areas through the annual premium calculations. If an specific area was to look to the market for an individual premium it would find that the rates would be much higher because the risks are more concentrated within a smaller portfolio. The insurer is more comfortable when spreading the risk over a number of areas/elements rather than a single entity.

- 4.18 As an example, our property asset is insured on a portfolio basis against the rebuild value of each property, there are a small number of properties that are on demolition only cover, where there is no intention to rebuild. The insurance market sees the high portfolio value, over £2.0bn in property and contents, but assess the risk as low because the properties are spread across numerous sites. If a single building was to seek insurance cover the premium would need to reflect the individual value of the property and the high level of risk on the specific site. By working on a portfolio bases, we are able achieve much lower levels of premium per property than as individual sites.
- 4.19 Following negotiations for this year's premium we were able to secure an overall increase on the casualty cover (all liabilities) of 10% (this takes into account the inflation rate at renewal calculated at 7.7%) so the actual increase was 2.3%. In addition, we were able to secure an increase of 19% on the Material Damage policy, however we have seen an increase in the value of the property portfolio of over 17%, this equates to an actual premium increase of 2%. Motor was held at the 7.7% inflation rate reflecting the low level of motoring risk presented to the insurer at renewal.
- 4.20 In some cases, the market is reporting increases on lines of cover of between 20% to 30%. We have been able to present the insurers with very good responses to renewal questionnaires and the Council and subsidiary companies have been view as "a good risk". This has resulted in securing very acceptable renewal terms which will result in only small increases in departmental and company premiums this year.
- 4.21 Internal insurance premiums are calculated based on various factors, the Insurance Fund requirements, external premiums, and the costs of the Insurance Team. In the first instance top level calculations are produced using this data, and cover the main policies, Liability, Motor and Material Damage. At this top-level, costs are allocated on a pro-rata basis, Liability on Fund requirements, Motor on fleet size and Material Damage on property and contents values.
- 4.22 Once the top-level calculations are complete further analysed is carried out based on the individual questionnaire responses, the 5-year claims history and estimates of current and future claims. Once these calculations are complete, each individual area within the Council and subsidiary companies is notified of the premiums with breakdowns of the figures. The annual renewal reports are sent to each area of the Council and subsidiary companies, outlining the policies that are in place for that specific area with the annual premium costs. In addition, an overall service report is sent to each Executive and company Director noting all policies the individual service has.

4.23 Claims Handling.

The Council is currently self-insured to the level of £318,000 (£250,000 – Property) which results in the Insurance Team having full conduct of all claims that are valued up to that figure. The team has the capacity and experience to make final decisions on all such claims, ensuring the best possible outcome for the Council and subsidiary companies. The insurers have, as part of the insurance contract, authorised the team to act on their behalf within the excess layer. The team has full authority to manage and where necessary, settle claims in the best possible interests of the Council and subsidiary companies without the need to refer to the insurer.

4.24 All areas of claims brought against the Council and subsidiary companies within the deductibles 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 almost 30 years and has considerable experience in all classes of business and areas of claim. As the team is in-house, there is ready access to the appropriate officers and Senior Managers in service areas against which claims have been brought and access to IT systems and electronic record data as required. Data that is stored is available to investigators without requiring special permissions as it remains within the Council and subsidiary companies and is being used for the investigation of the insured's activities.

4.25 Claims can be brought against the Council and subsidiary companies in several 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, this 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. No matter how the claim is brought, it must contain clear and specific allegations of a breach and a clear description of the location. Once the claim has been entered into the claims management system it is allocated to the appropriate level of handler.

4.26 Claim are allocated to individual handlers who are supervised by Claims Manager. The handler will carry out a full investigation into the allegations and make decisions on the validity of the claim. The Head of Insurance and the Claims Managers carry out audits on claim files and authorises all payments to ensure there is a consistent approach to claims handling across the team. This also enables managers to identify trends and have an insight into developing areas of concerns. These are fed back to service areas and often discussed at industry forums where representatives from other local authorities, insurers, legal service providers and brokers come together to review such trends.

4.27 The team handled more than 2000 claims in the financial year 2023-24, this is a higher figure than last year. Over 1000 of the claims received were liability claims, the majority of which were brought as Public Liability claims. Most of these claims relate to alleged injury and damage to property as a result of

defects in the highway with a small number arising from alleged failures in both Children's and Adult Services. A small proportion of liability claims were brought as Employers Liability claims where the individual is an employee or is treated as an employee for the purpose of insurance, such as volunteers acting in the appropriate capacity and under the supervision and control of NCC.

- 4.28 All claims against the Motor Policy will be related to an incident involving vehicles either owned or under the control of the Council or subsidiary company. Some incidents will involve a third-party where our vehicle has collided with a vehicle or property owned by the third-party. Most of these claims will involve a light commercial vehicle, a car or van. A number will involve heavy commercial vehicles, refuse freighters, highway vehicles and specialist vehicles such as fire appliances. There have been almost 600 motor claims this year. All property claims will relate to damage to a property or contents owned by the Council and subsidiary companies or claims where we are recovering costs relating to highway asset damage. We have seen some 450 property claims this year, over 260 of these were recovery claims.
- 4.29 Claims are reserved (the estimate based on potential cost of settlement, this figure includes all potential legal costs and the costs of experts) against the information provided by the third party or their representatives. Reserves are amended as new information is obtained and as negotiations are undertaken. An alternative option, worse case reserving, fixes a very high figure that is reduced as new information is obtained. This method requires a very high level of Fund reserve and ultimately impacts on external and internal premiums.
- 4.30 Where a claim reserve is higher than the deductible based on all the information available, the insurer has a right to take over conduct of the claim. Should that be the case, the insurer will work in conjunction with the handler and Claims Manager to investigate the allegations, and where necessary, negotiate and achieve the best possible outcome.
- 4.31 We will notify the liability insurer when the estimate is at 50% of the deductible out of courtesy so that should the claim costs increase, they are already aware. We also notify the insurer immediately if there are complex injuries such as head/facial injury or complex diseases alleged such as asbestos or hand arm vibration syndrome.
- 4.32 Allegations related to liability claims must be linked to a breach of statute or brought in negligence. It is for the claimant to bring the allegations of what statute/s they consider have been breached or where they believe there has been negligence on the part of the Council or subsidiary company. It is then for the handler to fully investigate the allegations and determine if there is a defence based on information from the service or if there is a legal precedent (case law) to base a defence on.

- 4.33 Where there are property damage claims, the handler acts as the Loss Adjustor and provides immediate recovery/restoration provision. 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 handlers will liaise with the occupiers and the specialists to ensure that the service delivery disruption is minimised. As part of this service, handlers work with contractors and NPS surveyors where building works are necessary to ensure best value and speedy responses. Where property damage exceeds the excess, we will work with the insurer and the nominated external Loss Adjuster to ensure the best possible outcome for the building users.
- 4.34 Where a claimant or the claimant's representative is dissatisfied with a denial in a liability claim, they can refer the claim to the Civil Courts and the claim will become litigated. The handler will work in conjunction with one of our panel solicitors to develop our defence to the allegations. Handlers will take witness statements, collate additional documentation, meet with barristers, and eventually, if necessary, attend court to support our witnesses. Whilst in court, they record the salient points of the case for future learning and feedback.
- 4.35 Decisions on liability are clear cut, and handlers are trained to review all relevant information to ensure that the correct decision is reached. There is no opportunity to mediate or negotiate on this position, either the Council or a subsidiary company has breached a duty or been negligent, or it has not. What is open to negotiation is the value of the claim and what the claimant may have contributed to the loss, pre-existent injuries/illness, or local knowledge of the location etc. Handlers will assess evidence of loss and offer an appropriate level of compensation considering all these factors.
- 4.36 The team does not have the ability to pay any ex-gratia compensation if there has been no breach of statute or duty in a liability claim. The team always seeks to settle claims on the best possible terms, negotiating with the claimant or their representative to minimise the cost to the Insurance Fund, possible premium increases and mitigate any potential reputational risks. It is also important that any negotiations are seen to be fair and equitable to both sides.
- 4.37 Denial rates (closing a claim with no payment to the third party) forms part of the suite of KPI's for the Insurance Team. The overall rate for Employers Liability denials in the last year was 60% (it should be noted that this figure is based on a very small sample). The overall Public Liability denial rate (including highway related claims) is 75%. Clearly denial rates are very dependent upon what the individual departments and teams are doing and what policies and practices are in place. Claims can only be defended and denied if there is sufficient documentation and evidence to prove the Council and subsidiary companies have complied with all that is required to do including our own policies, procedures, and guidance.

- 4.38 It is not possible to place an actual financial figure on the claims that are denied in any given period. However, it is evident that the better the denial rates are, the smaller the strain on the Fund, which in turn is reflected in the costs of both external and internal premiums.
- 4.39 With high denial rates there are a number of claimants who will be dissatisfied with the outcome. Handlers have seen an increase of push backs or complaints from claimants about the outcome of their claim. This year we have seen more than 10% of the Highway liability claims that have been denied pushed back by the claimant, this requires additional investigation and correspondence, often the claimant will insist that there is a review by a senior manager. In some cases, Members will be contacted and will receive complaints about the conduct of a claim that has been denied. This often results in the claimant making an FOI request or lodging a complaint with the Complements and Complaints team about the outcome of the claim. There is no appeal process for a liability claim, the correct course of action for a dissatisfied claimant is through the Courts.
- 4.40 Where a claim is settled, the team will provide feedback to the individual departments and managers. This process is used to improve and enhance further our future ability to defend similar claims. Sometimes this will require a change in working practices or consideration of how the activity can be delivered in a different way to mitigate the identified risks.
- 4.41 As part of the handling process, fraud indicators are checked at each stage during the life of the claim. Where there are concerns raised, further investigation and checking is undertaken. The insurance industry is seeing fraudulent claims in several main areas including motor, where the incident is staged, housing damage where tenants are exaggerating the material damage and the exaggeration of injuries by liability claimants. Recent Court cases have seen the judiciary willing to dismiss claims for exaggerated injuries and in extreme cases charge those who brought the claim with fraud.
- 4.42 The team looks for signs of fraud by comparing photographs, statements, allegations, and medical records for inconsistencies. Where fraud is suspected we can refer a claim to one of our panel solicitors who have teams with access to sophisticated fraud detection systems. Should fraud be identified we will refer the findings in the first instance back to the claimant or their representative for consideration and suggest discontinuance.
- 4.43 Reports are regularly produced from the Claims Management system to identify and address any specific claim trends and where these are identified, referred to the departments involved. This has proved very useful to the Highways Team in that it enables Area Managers and Highway Engineers to target areas of need (high claims volumes) when considering proactive maintenance works.

4.44 There are various future risks that are being highlighted by the insurance industry and our legal providers. There has also been concerns raised linked to e-scooters and the use on the highway and electric vehicle charging points. Additionally, there are increasing risks to Fire and Rescue Services nationally in relation to electric vehicles involved on collisions and the increasing number of electric storage facilities on solar and wind farms. In both cases the lithium batteries can catch fire and explode, and it is proving very difficult to extinguish such fires. There are concerns around Human Rights and the deprivation of liberty. Generally, there is an increasing risk around weather related incidents both to property and highway damage.

4.45 **Insurance Fund**

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

4.46 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. Claims relating to abuse or long-term disease such as mesothelioma can be open for many years until a final settlement can be agreed.

4.47 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 and new information is available. 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 accordingly.

4.48 The Council and subsidiary companies carry large deductibles, and we hold financial provisions in the Insurance Fund to meet the liabilities from claims for incidents in the current and previous years. The Insurance 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 Insurance Fund to meet the historical liabilities, losses arising in previous years, as well as claims in the current policy year.

4.49 **Assurance**

Each year the claims profile for the Council and all subsidiary companies is evaluated by external actuaries who considers claims arising from Employers Liability and Public Liability that are retained in respect of the period 1 April 1993 to current. The purpose of the review is to estimate the reserves required in the Insurance Fund to cover the known and potential liabilities. The evaluation uses actual claim figures and statistical analysis to calculate how claims are expected to change over time before they are eventually concluded.

The annual review is undertaken by external Actuaries to ensure industry compliance and to give assurance the Fund is adequate to meet the need.

- 4.50 Whilst considering the actual claims held on the book of liabilities, the review also looks at the whole insurance market to determine what may be brought against the Council and subsidiary companies in future years. These claims are known as incurred but not reported (INBR), the incident may have occurred but has not been developed into a claim and the review provides statistical analysis of what value may be placed on such claims. An allowance is then made within the Insurance Fund to cover such claims, should they arise at a future date, based on a balance of probability.
- 4.51 As part of the general auditing process, Claims Managers carry out random reviews of files at various points throughout the life of a claim to ensure consistency. We also have remote training sessions with members of our panel solicitors and insurers who provide training and assurance in the context of national standards. Where a claim is litigated all documentation and information will be reviewed in conjunction with legal experts to ensure there is an effective course of action in defending.
- 4.52 As part of the offering from our legal providers, feedback is given to senior managers on the files and the way claims have been conducted by team members. As international legal companies, they can benchmark how the Insurance Team is operating against other similar organisations. Feedback is given at regular meetings with providers where this information is discussed, and these findings are then fed back to team members.
- 4.53 We undertake claims management strategy meetings with claims handlers on a regular basis. Handlers can bring unusual or more difficult claims to a collective Teams meeting with managers and other handlers where strategy and further action can be discussed. This provided training opportunity to team members and imparts knowledge and experience across the team. These meetings also provide a level of consistency across claims handling and investigation. This also provides an arena to discuss claims that have been denied and the claimant has asked for a formal review by a manager.

5. Alternative Options

- 5.1 There are no alternative options.

6. Financial Implications

- 6.1 There are no financial implications to note within this report.

7. Resource Implications

- 7.1 **Staff:** There are no staff implications.
- 7.2 **Property:** There are no implications to property to highlight within this report.
- 7.3 **IT:** There are no specific IT implications to highlight in this report

8. Other Implications

- 8.1 **Legal Implications:** There are no legal implications to highlight within this report.
- 8.2 **Human Rights Implications:** There are no human rights implications to highlight within this report.
- 8.3 **Equality Impact Assessment (EqIA) (this must be included):** There are no Equality impact assessments to note within this report.
- 8.4 **Data Protection Impact Assessments (DPIA):** There are no data protection implications to highlight within this report.
- 8.5 **Health and Safety implications (where appropriate):** There are no Health and safety implications to note within this report.
- 8.6 **Sustainability implications (where appropriate):** There are no sustainability implications to highlight within this report.
- 8.7 **Any Other Implications:** There are no other implications highlighted on this report.

9. Risk Implications / Assessment

- 9.1 Not applicable

10. Select Committee Comments

- 10.1 Not applicable

11. Recommendations

- 11.1 See Action Required in Executive Summary above.

12. Background Papers

- 12.1 Not applicable

Officer Contact

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Audit and Governance Committee

Item No: 6

Report Title: Governance, Control and Risk Management of Treasury Management 2023-24

Date of Meeting: 30 April 2024

Responsible Cabinet Member: Cllr Andrew Jamieson (Deputy Leader and Cabinet Member for Finance)

Responsible Director: Harvey Bullen (Director of Strategic Finance)

Is this a Key Decision? Yes / No

If this is a Key Decision, date added to the Forward Plan of Key Decisions:

Executive Summary / Introduction from Cabinet Member

As part of its terms of reference, the Committee has responsibility to “consider the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensure that they meet best practice”.

The purpose of this report is to provide assurance to the Committee as to the adequacy and effectiveness of these arrangements. This report demonstrates that appropriate arrangements are in place, reflecting best practice and can assure the Committee that there are effective governance, control and risk management arrangements in respect of Treasury Management.

Recommendations:

1. To consider and agree this report, which provides assurance to the Audit and Governance Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management.

1. Background and Purpose

- 1.1. Treasury management in local authorities is tightly regulated. Specific policy and operational guidance on governance, control and risk management is contained within professional codes of practice, with overarching statutory and regulatory guidance drafted by Government. This framework of regulation and codes of practice provides the basis for the governance and reporting of treasury management activities in local authorities.
- 1.2. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in the Public Services (the Code) defines treasury management activities as:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 1.3. Statutory and regulatory guidance is provided by the Local Government Act 2003 and the Government’s Investment Guidelines 2010 (Revised). Codes of best practice include the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice and the Prudential Code. The Council adheres to all these in the way it manages its treasury services.
- 1.4. CIPFA’s Code of Practice for Treasury Management in the Public Services (the Code) recommends the adoption of four key clauses as part of financial regulations and procedures. CIPFA’s latest version of the Code was released in December 2021. The main changes to the updated Treasury Management Code are as follows:
 - Investment management practices and other recommendations relating to non-treasury investments should be included within the Treasury Management Practices (TMPs)
 - The Liability Benchmark has been introduced as a new Treasury Management Indicator to be reported by local authorities on a quarterly basis
 - Environmental, Social and Governance (ESG) risks are incorporated into the TMP1 (Risk Management) and TMP 13 has been removed
 - The purpose and objective of each category of investments should be described within the Treasury Management Strategy.
- 1.5. These changes were incorporated into the 2023-24 Treasury and Investment Management Strategy and fully implemented in financial year 2023-24. The monthly finance report to Cabinet was enhanced to include the Treasury and Prudential indicators and the Liability Benchmark.
- 1.6. The specific clauses and policy statements which the County Council adopted in February 2010 as part of its financial regulations and procedures remain materially the same. These recommended clauses are incorporated in Section 4.7 of the Council’s Financial Regulations.

- 1.7. Complementary to the CIPFA Treasury Management Code, the Department of Levelling Up Housing and Communities', (DLUHC's) Investment Guidelines require the full Council to approve an Annual Investment Strategy and an Annual Capital Strategy.
- 1.8. In December 2008, Cabinet approved the establishment of a cross-party Member Panel with specific responsibilities for Treasury Management. The Panel's responsibilities include:
- Consider and comment on the draft Annual Investment and Treasury Strategy prior to its submission to Cabinet and full Council.
 - Receive detailed reports on the Council's treasury management activity, including reports on any proposed changes to the criteria for "high" credit rated institutions in which investments are made and the lending limits assigned to different counterparties.
 - Receive presentations and reports from the Council's external Treasury Management advisers.
 - Consider the draft Treasury Management Annual Report and Mid-Year Monitoring Report prior to their submission to Cabinet and full Council.
- 1.9. Following a full tender process in 2019, Link Asset Services were engaged for 8 years from 1 September 2019 as the Council's Treasury Management adviser, with the option to extend the contract for a further 2 years.

2. Proposal

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

3. Impact of the Proposal

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

4. Evidence and Reasons for Decision

- 4.1 An "Annual Investment and Treasury Strategy 2023-24" was approved by the Cabinet on 30 January 2023 and then County Council on 21 February 2023,

to coincide with the Council's annual budget proposals. Prior to consideration by Cabinet, the Strategy had been discussed and approved by the Treasury Management Panel on 21 December 2022.

4.2 The Annual Strategy report provided interest rate forecasts, the Council's borrowing strategy, criteria for choosing investment counterparties, monetary limits and deposit periods, and capital and treasury management prudential indicators. The strategy also incorporates the Council's minimum revenue provision (MRP) policy which sets out how the Council will set aside monies for the repayment of debt.

4.3 During financial year 2023-24, the County Council met the reporting requirements of the CIPFA Treasury Management Code by receiving:

- annual report following the year-end describing activity (Cabinet 5 June 2023 and County Council 18 July 2023)
- a mid-year treasury update report (Cabinet 4 December 2023)
- an annual treasury strategy in advance of the 2024-25 financial year (Cabinet 30 January 2024 and County Council 20 February 2024).

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

4.4 Following this financial year-end, the "Annual Treasury Management Report 2023-24" will be reviewed and approved by the Treasury Management Panel on 21 May 2024 and Cabinet on 3 June 2024 and will be presented to County Council in July 2024.

4.5 The Annual Report reviews treasury activities undertaken in the previous 12 months (April to March) and contains details of performance against key treasury management indicators and budgets. It also provided confirmation that all treasury investment during the year was in accordance with the approved investment criteria.

4.6 The Council incorporates the governance requirements of the CIPFA Treasury Management Code and the MHCLG Investment Guidelines relating to "non-treasury investments" into its Treasury Management reports. A summary of non-treasury investments (including loans to subsidiaries) is included along with a short commentary on the proportionality of these investments in the context of the Council's capital programme and revenue budgets

4.7 In addition, following changes to the Public Works Loan Board (PWLB) lending arrangements in November 2020. The local authority s151 officer must provide annual confirmation that there is no intention to purchase

investment assets primarily for yield at any point in the next three years. Schemes approved in the Council's capital programme are all within Norfolk and relate to policy initiatives such as economic development. There are no schemes which include the purchase of assets primarily for yield.

- 4.8 Through 2023-24, the Treasury Management Panel provided scrutiny of treasury activity. Reports to Cabinet are amended where appropriate to incorporate comments or views expressed by the Panel. There are no outstanding actions or recommendations from meetings of the Panel during 2023-24.
- 4.9 The Panel received training in November 2023 in the form of a presentation from Link Group, the Council's external treasury advisors. This covered the general treasury management environment, the economic outlook and impact of high inflation rates on the economy and interest rates, review of borrowing options following the continued rise in PWLB interest rates and the Bank of England Base Rate forecast for 2024-26+.
- 4.10 In addition to the specific treasury management reports, throughout 2023-24 Cabinet received regular short treasury management summaries within monthly Finance Monitoring reports. These provided key treasury management information such as the levels of cash balances, treasury and prudential indicators and the liability benchmark.
- 4.11 The County Council's external auditor (Ernst & Young) performs audit tests in order to inform their annual audit of the Council's Statement of Accounts. For example, they seek independent verification of material investment and debt balances.
- 4.12 Transaction testing of key controls is supplemented by a triennial full internal audit review, supplemented by further work if significant changes to systems or processes are identified. The full triennial internal audit review was undertaken in 2021, with a final report issued on 24 March 2021. One low priority finding was identified, and action taken to address this by updating the Risk Register for Treasury Management for mitigating actions taken to date.

5. Alternative Options

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

6. Financial Implications

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

7. Resource Implications

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

8. Other Implications

8.1 Legal Implications:

None identified.

8.2 Human Rights Implications:

None identified

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

No issues or implications identified. An overall summary Equality and rural impact assessment report is included on page 305 of the Monday 21 February 2022 Norfolk County Council agenda. [CMIS > Meetings](#)

The Council is maintaining a dynamic [COVID-19 equality impact assessment](#) to inform decision making during the pandemic.

8.4 Data Protection Impact Assessments (DPIA):

DPIA is not required as the data reported in this paper does not drill down to the personal data level.

9. Risk Implications / Assessment

(This must be included in decision-making Cabinet reports only)

- 9.1 In December 2021, CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code. These revisions have particularly focussed on non-treasury investments including, for example, capital loans and property investments. The new Code has been implemented in full for 2023-24 and features in the Treasury Management Reports accordingly.
- 9.2 The Council's treasury management operations have been carried out in accordance with best practice and in compliance with legislative and regulatory requirements. Although there have been some practical changes resulting from remote working, such as the acceptance of e-mail authorisations in place of

handwritten signatures, the Banking and Treasury Team have maintained a full service throughout the year with the same level of authorisation, reconciliation and control.

- 9.3 The on-going Russian-Ukrainian war, fuel shortages and the cost-of-living increases from 2023 have resulted in a sustained period of high inflation in 2023 before beginning to tail off in 2024. This in turn has caused the Bank of England to maintain the higher base rate of 5.25% over the period covered by this report. In addition, due to patterns of expenditure and government grants, cash-flow forecasting has been more uncertain. However, this has not changed the Council's investment strategy: as in previous years, a balance is maintained with the Council's bank with investments currently with UK retail banks, UK money market funds, or UK local authorities.
- 9.4 The Bank of England Base Rate was increased from 4.25% in April 2023 to 5.25% in March 2023. The base lending rate is forecasted to remain at 5.25% over the first half of 2024 before starting to come down in the second half of the year. Returns on the investment of surplus cash are forecast to reduce slightly as cash balances are run-down to postpone borrowing for capital needs. The interest payable on new loans will also increase in line with the higher interest rates.
- 9.5 Changes to IFRS 16 (the financial accounting standard relating to leases), mean that the Council has to bring operating leases and other "right of use" arrangements, including "embedded leases", onto its balance sheet from April 2024, the start date being deferred to in March 2022 by a year. This will affect the Council's statement of accounts and will increase the Council's stated capital financing requirement by an estimated £13.943m. However, it is not likely to alter financing decisions or impact the Council's general fund.
- 9.6 The Council's Financial Regulation and Procedures have specific sections dedicated to Treasury Management (sections 4.7 and C7 respectively). They set out the key controls and specific responsibilities of the Statutory Finance Officer (Director of Strategic Finance) and the other Chief Officers. The regulations and procedures are reviewed and updated annually.
- 9.7 The Finance Management Team is responsible for maintaining a departmental risk register. There are currently no "High" risks identified relating to Treasury Management activities.

10. Select Committee Comments

None.

11. Recommendations

Recommendations are set out in the introduction to this report.

12. Background Papers

None.

Officer Contact

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Audit and Governance Committee

Item No: 7

Report Title: External Audit reports to those charged with governance

Date of Meeting: 30 April 2024

Responsible Cabinet Member: N/A

Responsible Director: Harvey Bullen, Director of Strategic Finance

Is this a Key Decision? No

Executive Summary

The purpose of this report is to:

- 1) Introduce several reports from the Council's External Auditor, EY LLP. These documents are some of the communications that EY must provide to the Audit Committee of the audited client:
 - Norfolk County Council and Norfolk Pension Fund Auditor's Annual Report Year ended 31 March 2022 – **Appendix A**
 - Norfolk County Value for Money (Interim) Reporting 2022-23 - **Appendix B**
 - Norfolk Pension Fund 22/23 Audit Results Report - **Appendix C**
 - Norfolk Pension Fund 23/24 Audit Plan, for the year ended 31 March 2024 - **Appendix D**

Recommendations:

1. To consider and agree the:
 - Norfolk County Council and Norfolk Pension Fund Auditor's Annual Report Year ended 31 March 2022 – **Appendix A**
 - Norfolk County Value For Money (Interim) Reporting 2022-23 - **Appendix B**
 - Norfolk Pension Fund 22/23 Audit Results Report - **Appendix C**
 - Norfolk Pension Fund 23/24 Audit Plan, for the year ended 31 March 2024 - **Appendix D**; and
 - whether there are other matters, which may influence their audit.

1. Background and Purpose

- 1.1 These reports are some of the communications that EY must provide to the Audit Committee of the audited client. The audit fee is set according to a scale fee.
- 1.2 The Accounts and Audit (Amendment) Regulations 2022 (SI 2022/708) were published at the end of June 2022. The regulations extended the 2021/22 audit deadline to 30 November 2022, and then 30 September until 2027/28. DLUH&C have also published full details of measures to signal publicly their commitment to the local audit market at: [Measures to improve local audit delays - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/publications/measures-to-improve-local-audit-delays)
- 1.3 Some of the key measures include:
 - providing councils with £45m additional funding over the course of the next Spending Review period to support with the costs of strengthening their financial reporting and increased auditing requirements;
 - strengthening training and qualifications options for local auditors and audit committee members;
 - reviewing whether certain accounting and audit requirements could be reduced on a temporary basis, where these are of lesser risk to councils.
- 1.4 A consultation was published, as reported to the Committee at the February meeting. That consultation sought views on proposed legislative changes to the Accounts and Audit Regulations 2015 (the 2015 Regulations). Officers responded to the consultation. The government has published a draft statutory instrument alongside their consultation.
- 1.5 A wider package of measures consists of 3 stages:
 - Phase 1: Reset involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024
 - Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles
 - Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.
- 1.6 The NAO was also consulting, in parallel to that consultation. The NAO's consultation proposes that the Code of Audit Practice would introduce exemptions from the proposed statutory deadline for auditors in certain circumstances.
- 1.7 CIPFA LASAAC have now consulted on temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 to reduce

burdens on the finance teams and auditors, which we welcome. Officers responded to that consultation.

- 1.8 EY may issue an updated plan if any element of their assessment is amended during their remaining planning work. The Norfolk County Council plan for 2023-24 is expected in due course.

2. Proposal

- 2.1 To consider and agree the reports set out in **Appendix A to D** and whether there are other matters, which may influence their audit.

3. Impact of the Proposal

- 3.1 This report provides assurance to members and fulfils the relevant terms of reference of this committee.

4. Evidence and Reasons for Decision

- 4.1 The reports appear at **Appendix A to D**.

5. Alternative Options

- 5.1 None.

6. Financial Implications

- 6.1 None

7. Resource Implications

- 7.1 **Staff/Property/IT:** None

8. Other Implications

- 8.1 **Legal Implications/Human Rights Implications/Equality Impact Assessment (EqIA):** None

8.4 Data Protection Impact Assessments (DPIA)/Health and Safety implications/Sustainability implications: None

8.7 Any Other Implications: None

9. Risk Implications / Assessment

9.1 None.

10. Select Committee Comments

10.1 None.

11. Recommendations

Please see required actions in the executive summary above.

12. Background Papers

12.1 None.

Officer Contact

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

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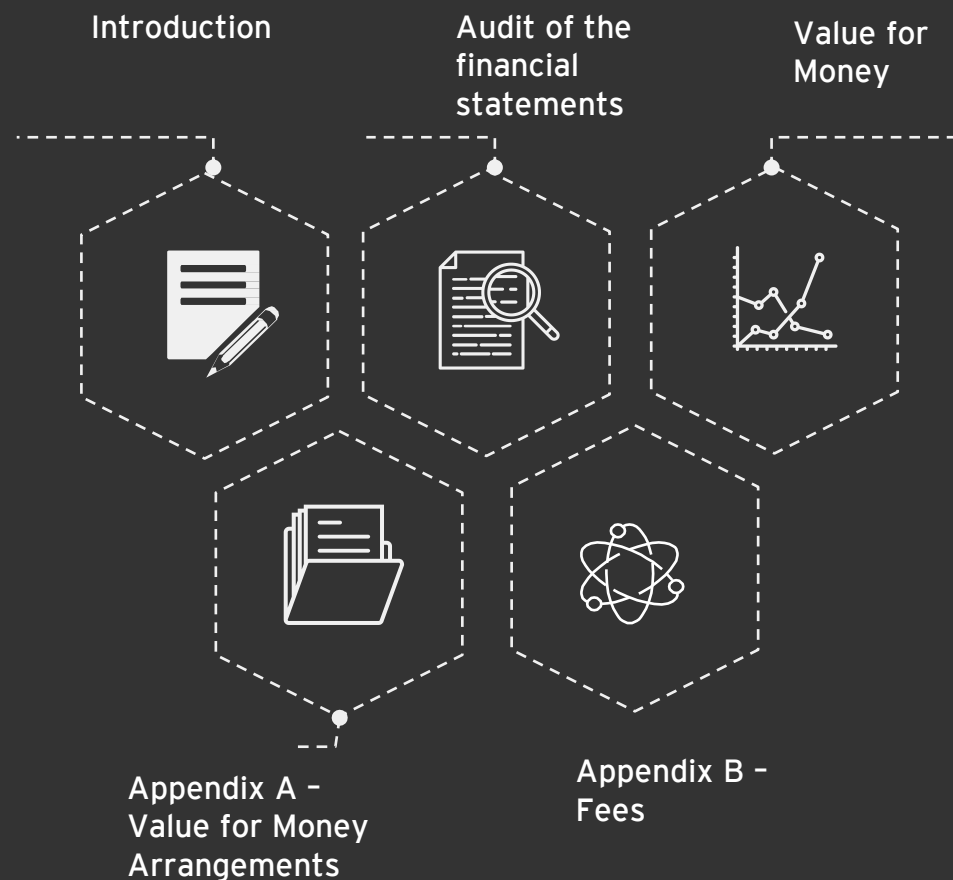


Norfolk County Council and Norfolk Pension Fund

Auditor's Annual Report

Year ended 31 March 2022

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



Introduction

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on value for money (VFM) arrangements, which aims to draw to the attention of the Council, or the wider public, relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2021/22 audit work in accordance with the Audit Plans we issued in July 2022. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements of the Council and Pension Fund;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council and Pension Fund;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council and Pension Fund

The Council and Pension Fund are responsible for preparing and publishing its financial statements, narrative statement and annual governance statement. The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



Introduction (continued)

2021/22 Conclusions -Norfolk County Council and Norfolk Pension Fund

Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council and Pension Fund as at 31 March 2022 and of the expenditure and income for the year then ended. We issued our auditor’s reports on 20 February 2024.
Going concern	We have concluded that the Section 151 Officer’s use of the going concern basis of accounting in the preparation of the Council and Pension Fund financial statements is appropriate.
Consistency of the other information published with the financial statement	Financial information in the narrative statement and published with the financial statements was consistent with the audited Council and Pension Fund accounts and Pension Fund Annual Report.
Value for money (VFM)	We had no matters to report by exception on the Council’s VFM arrangements. We have included our VFM commentary in Appendix A.
Consistency of the annual governance statement	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council and Pension Fund.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of government accounts	Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts (WGA) return. The extent of our review, and the nature of our report, is specified by the NAO. As the Council falls below the £2 billion threshold for review as per the NAO’s 2021/22 group instructions, we do not expect to have to perform any procedures. However, until the NAO has confirmed whether they have selected Norfolk County Council as one of the additional sampled components for additional audit procedures we are not able to fully conclude this work.
Certificate	We are not able to issue our certificate until the NAO have confirmed whether we are required to undertake any additional work on the WGA return as noted above.

Audit of the financial statements – Norfolk County Council

Key findings

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

We issued an unqualified opinion on the financial statements for the Council. We reported our detailed findings to the Audit and Governance Committee on the 7 September 2023 and updated our findings in our final report on 13 February 2024. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk

Conclusion

Misstatements due to fraud or error

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

We have not identified any material weaknesses in controls or evidence of material management override.

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

Inappropriate capitalisation of revenue expenditure

In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term projected financial position. A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Council has a significant fixed asset base and a material capital programme and therefore has the potential to materially impact the revenue position through inappropriate capitalisation.

Prior to the completion of our audit procedures, but subsequent to the publishing of the authorized draft accounts, management identified an adjustment in REFCUS reducing this expenditure by £4.382 million. We have reviewed this adjustment and agreed the updated treatment is appropriate. As management identified this issue and brought it to our attention, we are satisfied that this was due to error and not management override or fraud.

Our audit work did not identify any other material issues or unusual transactions which indicated any misreporting of the Council's financial position through the inappropriate capitalisation of revenue expenditure.



Audit of the financial statements – Norfolk County Council

Higher inherent risks	Conclusion
<p>Valuation or property, plant, and equipment and investment property</p> <p>The fair value of property, plant and equipment (PPE) and investment properties (IP) represents significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.</p> <p>At 31 March 2022, the net book value of PPE was £1,767 million, and the fair value of investment properties was £14.635 million.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet.</p>	<p>We identified one investment property (Norwich Airport Industrial Estate) with a late valuation update by the management expert which resulted in an increase in the value of £3.57 million. The property was also reclassified from investment property to assets held from sale with a value of £21.021 million as it now met the accounting standard definition of an asset held for sale.</p> <p>We also identified and applied relevant indices to assets not subject to valuation in 2021/22 and estimated that the value of these assets may be understated by £22.07 million. This estimated difference is below our audit materiality and therefore we are satisfied that the valuation of assets is materially accurate and no adjustment to the draft statement of accounts is required.</p> <p>We have not identified any other issues related to the valuation of property, plant, and equipment and investment property than those noted above.</p>
<p>Pension liability valuation (IAS19)</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31st March 2022 this totalled £407 million.</p> <p>The information disclosed is based on the IAS 19 report issued by the Pension Fund actuary to the Council. Accounting for these schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on its behalf. We are required to undertake procedures on the use of the actuary as management's expert and the assumptions underlying fair value estimates.</p>	<p>The pension liability and related disclosures in the draft statement of accounts were based on an IAS19 report which included estimates based on roll forward of the information and assumptions in the March 2019 triannual valuation. The Council obtained an updated IAS19 report in March 2023 following release of the March 2022 triannual valuation. This has resulted in an amendment to the draft Statement of Accounts increasing the pension liability by £56.717 million.</p>



Audit of the financial statements – Norfolk County Council

Higher inherent risks

Accounting for COVID-19 related government grants

In response to the COVID-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these. We are aware of new COVID-19 grant income in 2021/22 for example the COVID-19 Additional Relief Fund (CARF) that is material in nature.

Given the volume of these grants, the new conditions for the Council to understand the accounting impact of, there is an inherent risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.

Group Reporting

Within the group accounts of the Council there are various accounting issues that have arisen during the period for consideration in the audit including the treatment of IFRS 16, the impact of the withdrawal from the Norwich Norse Partnership, and the consolidation of the new Repton entity.

Conclusion

We have completed our work and our testing confirmed that grants have been accounted for correctly.

On 1 April 2019, Norse Group Ltd adopted IFRS 16, in accordance with recognised accounting standards required for larger companies. This has resulted in £10.350 million of operating lease liabilities being reclassified as finance leases, increasing the value of both lease liabilities and property, plant and equipment in the Group Balance Sheet. These leases are reflected in the Group Accounts at 31 March 2020 as finance liabilities of £12.116 million, matched by an increased value of property, plant & equipment. In order to apply the CIPFA Code to the Group accounts, the impact of the adoption of IFRS 16 by the Norse Group should be reversed out of the Group Accounts, reducing both assets and liabilities by £12.116 million. The Council have not made the necessary adjustments in relation to this. This same error was also noted in the prior year. We have not been provided with a breakdown of the impacted leases in 2021/22. However, the movement on finance leases in the Norse accounts is a reduction of £3 million and therefore we can conclude that not making this consolidation adjustment is still immaterial. Norse Management have chosen not to adjust for this amount.

In addition, the component auditor reported that the dilapidation provision was understated after performing an updated assessment using data from Royal Institution of Chartered Surveyors (RICS) and Building Cost Information Service (BCIS) rates. The provision was originally recorded at £0.800 million. The component auditors assessment determined a range of £1.400 million to £2.700 million. This resulted in an understatement of the provision by £1.864 million, which is not material to the Group accounts.



Audit of the financial statements – Norfolk County Council

Higher inherent risks

Going concern

There is a presumption that the Council will continue as a going concern for the foreseeable future and that its accounts should therefore be prepared on a going concern basis. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid and economic volatility on the Council's day to day finances, its annual budget, its cashflows and its medium term financial strategy, there is a need for the Council to ensure its going concern assessment is appropriately comprehensive.

The Council is also required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

Conclusion

We reviewed management's assessment and considered the adequacy of this along with the disclosure in the accounts by:

- Challenging management's identification of events or conditions impacting going concern.
- Testing management's assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.
- Ensuring the assessment covers a period of at least 12 months from the date of audit report

We are satisfied that the Council's going concern assessment and disclosures are appropriate.



Audit of the financial statements – Norfolk County Council

Higher inherent risk	Conclusion
<p>Infrastructure assets subsequent expenditure</p> <p>We identified the subsequent expenditure on infrastructure assets as a significant risk. Norfolk County Council has material infrastructure assets of £1,049 million held on its balance sheet at 31 March 2022.</p> <p>We initially identified this as a significant risk as a result of an issue which was raised with the National Audit Office's Local Government technical network in March 2022 in relation to the accounting for infrastructure assets. Under the CIPFA Code, these assets were held at depreciated historic cost. It was identified that, whilst local authorities add expenditure incurred on replacing or enhancing such assets, most do not appear to be reviewing the Code requirement to establish whether this spend is a replacement of an asset, or a recognised component, and therefore, are not derecognising the old component. As a consequence gross cost/gross accumulated depreciation are continually increasing, and the balance sheet may be misstated where the expenditure is a replacement for an asset/component not fully depreciated.</p> <p>DLUHC issued a Statutory Instrument which came into effect on 25 December 2022. This allowed for a temporary change in accounting rules in this area giving authorities the option to account for infrastructure assets on a net rather than gross basis. CIPFA also released an update to the Local Authority Accounting Code and a Local Authority Accounting Panel (LAAP) bulletin was issued which provided practitioners guidance on how they should account for Infrastructure Assets should an Council wish to adopt the Statutory Instrument.</p> <p>The Council adopted the Statutory Instrument issued by CIPFA in December 2022, this has resulted in less onerous disclosures and reduced audit risk. We have therefore reassessed the risk and removed the significant risk and updated our planned audit response as a result.</p> <p>The main risk now identified is that the Council does not correctly apply the Code update and Statutory Override and does not make appropriate disclosures in its accounts, and that economic useful lives are inappropriate resulting in depreciation being materially misstated</p>	<p>Our work did not identify any material issues in relation to infrastructure assets. The Council has applied the statutory override and Code adaptation and reported these assets on a net book value basis and made appropriate disclosures in the accounts related to this.</p> <p>Our review of the economic useful lives applied by the Council has provided sufficient assurance that depreciation and net book values for infrastructure assets are materially accurate.</p>

Audit of the financial statements – Norfolk Pension Fund

Key findings

The Annual Report and Accounts is an important tool for the Pension Fund to show how it has used public money and how it can demonstrate its financial management and financial health.

We issued an unqualified opinion on the financial statements and our consistency opinion. We reported our detailed findings to the Audit and Governance Committee on the 28 November 2022 and updated with our final findings on 13 February 2024. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risks

Conclusion

Misstatements due to fraud or error (Management override)

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

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

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied. We did not identify any evidence of management bias in relation to accounting estimates.

Misstatement due to fraud or error (Incorrect posting of investment valuation journals)

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

We have considered the key areas where management has the opportunity and incentive to specifically override controls that could affect the Pension Fund's Financial Statements. We have identified the main risk to be the incorrect posting of investment valuation journals.

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business.

Our additional procedures in relation to the review of the reconciliations to source reports, including fund managers and custodians reports, and the re-performance of the investment note have not identified any instances of inappropriate posting of investment journals.

Audit of the financial statements – Norfolk Pension Fund

Significant risks

Valuation of complex investments (including level 3 investments)

The Fund's investments include unquoted investment vehicles such as private equity, infrastructure, pooled property funds and private credit. We have identified the valuation of investments, particularly complex investments, as an area of specific risk. We have identified the valuation of investments, particularly complex investments, as an area of specific risk.

Judgements are taken by the Fund Managers to value those investments whose prices are not publicly available. The material nature of the investments means that any error in judgement could result in a material valuation error. Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.

As these investments are more complex to value, we have identified the Fund's investments in private equity, infrastructure, pooled property and private credit as significant risk, as even a small movement in these assumptions could have a material impact on the financial statements.

Change in Custodian

In November 2021, the Pension Fund made a change of custodian from HSBC to Northern Trust.

Given the nature of the custodian's role to the Pension Fund and their key role for the provision of information upon which the financial statements are based, we therefore consider that this presents a significant audit risk.

The audit risk is that information may be incorrectly transferred leading to errors within or reported within the 2021/22 financial statements.

Conclusion

Our testing has not identified any material misstatements within year end investment asset valuations.

Our additional procedures, including the review of the latest set of audited accounts and the internal control reports for the fund managers, identified one matter to bring to your attention. Last year, we reported that the Aviva Infrastructure fund accounts had been qualified due to insufficient information being made available to the auditor due to an ongoing legal case. This qualification is still in place for the same reason. The value of the Pension Fund's investment in this fund is £43 million and we have concluded that it was unlikely that this issue would have a material impact on the Pension Fund. Management have included an enhanced disclosure in Note 5 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty in relation to this matter. We have not identified any material valuation differences in the reported funds valuation within the financial statements.

We also challenged the material accuracy of the valuation as at 31 March 2022 through substantive analytical review using relevant indices. We have not identified any material differences following the completion of our work.

We have obtained an understanding of the custodian change process and of the controls in place to mitigate potential risks over the transfer of data and concluded that the process and controls were appropriately designed

We have completed a review of the reconciliation performed by the Pension Fund between the HSBC closing investment balance and Northern Trust opening investment balance. We noted no differences.

Audit of the financial statements – Norfolk Pension Fund

Areas of audit focus	Conclusion
<p>Going concern disclosure</p> <p>There is a presumption that the Fund will continue as a going concern for the foreseeable future. However, the Fund is still required to carry out a going concern assessment that is proportionate to the risks it faces.</p> <p>The unpredictability of the current economic environment and also the volatility of the capital markets due to the ongoing impact of Covid as well as the Ukraine Russia conflict give rise to a risk that the Pension Fund may not appropriately disclose the impact of these issues on their going concern assessment. The disclosure should be underpinned by management's assessment based on the Pension Fund's actual year end financial position and projected performance and cashflows for the going concern period of 12 months from the auditor's report date.</p>	<p>To address this risk, we :</p> <ul style="list-style-type: none">• Obtained management's going concern assessment and reviewed for any evidence of bias and consistency with the accounts.• Challenged management's identification of events or conditions impacting going concern.• Reviewed the cashflow forecasts prepared by the Pension Fund.• Assessed the adequacy of going concern disclosures in the Pension Fund's financial statements. <p>Our review of the disclosure on going concern has not identified any issues. Management revisited and updated the disclosure close to the expected date of authorisation of the accounts for issue to ensure that it remains appropriate to the Pension Fund's circumstances for the foreseeable future (the next twelve months).</p>
<p>IAS 26 disclosure Actuarial present value of promised retirement benefits</p> <p>The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £6,651 million as at 31 March 2022.</p> <p>The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hyman Robertson. The estimate is based on a roll forward of data from the previous triennial valuation in 2019/20, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.</p> <p>There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2022.</p>	<p>We assessed whether the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary and have not identified any issues. Management agreed to amend the disclosures in their accounts to reflect the revised IAS26 disclosures issued by the actuary as a result of the 2022 triennial valuation exercise completed in March 2023. We have reviewed and are satisfied with the revised disclosures and have undertaken additional procedures to ensure we can place reliance on the updated figures.</p>



Value for Money - Norfolk County Council

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

Our VFM commentary highlights relevant issues for the Council and the wider public.

We have no matters to report by exception in the audit report.

Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the Council which was based on a combination of our cumulative audit knowledge and experience, our review of Council reports, meetings with officers and evaluation of associated documentation through our regular engagement with Council management and the finance team.

Reporting

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our detailed commentary for 2021/22 is set out on the following pages. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

We have also considered the Council's most recent financial reporting as part of our assessment of financial sustainability and have included detailed comment on this on the following page.

Reporting criteria

	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2022. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

The Council has a robust process of estimating the recurring and non-recurring expenditure for at least four years and the funding sources for the same period. The forecast Medium Term Financial Plan position is reviewed in February each year to identify pressures and required savings to allocate savings targets to departments. A revenue budget is prepared with reference to the Medium Term Financial Plan and the identified pressures and saving targets. Executive Directors monitor their assigned budgets and any over-runs are reported monthly to Cabinet.

The budget and Medium Term Financial Strategy approved by Council in February 2022 identified a significant budget gap of £59.927 million for 2023/24. Management and those charged with governance have demonstrated urgency in identifying savings to bridge this gap as noted through our minute review of Cabinet meetings. Starting in April 2022, Cabinet set a two phased approach to identify savings with a target of identifying £15 million by July 2022. As at the July 2022 meeting, £13.007 million (86.7% of target) was identified. This was largely driven by savings programs in adult social care and children services. As at October 2022, identified savings proposals had increased by £19.508 million to £32.515 million, reducing the gap by half from the starting point. The budget and Medium Term Financial Strategy approved by Council in February 2023 presented a balanced budget with savings of £59.703 million included. The Council has demonstrated historical success and achieving the majority of the savings targets identified in previous years with success rates in excess of 85%.

At 31 March 2022, the Council held a general fund reserve balance of £23.84 million and had further earmarked revenue reserves of £211.50 million. Projected balances for the general fund and earmarked reserves through to 31 March 2024 were £25.41 million and £144.48 million respectively. This provides resources to support the budget if future savings are not identified or achieved in each of the four years of the Medium Term Financial Strategy. These balances exceed the minimum level of general fund balances set at £19.706 million in the 2021 - 2025 Budget Book.

The use of reserves to support the budget is however not a sustainable strategy and the Council should continue its focus on the assessment of the savings requirement and continue to identify relevant schemes to achieve the annual savings requirements to minimise the use of reserves where possible.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



Value for Money (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the Annual Governance Statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2022. In 2021/22, we did not identify a risk of significant weakness in arrangements in place to ensure sound governance.

The Council continuously identifies the risks it faces, including the likelihood of the risks occurring and the impact. These risks are reported to the Governance and Audit Committee on a quarterly basis.

A common theme in the risks identified for 2021/22, relates to increasing costs of providing services and funding reductions. To address this, the Council revisited their funding projections and closely monitored the budget, Covid recovery and inflation. We have assessed the Council's arrangements in terms of financial sustainability and concluded they are adequate. We are therefore satisfied that the risk assessment procedures in place in the Council are adequate and risks are being appropriately managed.

In terms of internal controls in place, the Council received an overall rating of 'reasonable assurance' from Internal Audit, which is the second highest level of assurance that Internal Audit may provide.

The Council also has a climate change strategy which supports the Government's UK Net Zero Strategy.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.



Value for Money (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2022. In 2021/22, we did not identify a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness.

We did not identify any weaknesses in the Council's procurement procedures in 2021/22. All procurements are governed by the Council's Contract and Procurement Rules (part of the Council's Constitution). Compliance with these is monitored by Procurement and Legal and the Contract Procurement Group.

The Council launched its new strategy 'Better Together, For Norfolk' during 2021/22 which set out the Council's key priorities through to 2025.

During the period, a number of disputes between the Council's subsidiary, Norse, and its joint ventures with other district councils came to light. Norfolk County Management are aware of the disputes and have been working with Norse management to develop greater clarity on the expectations for Norse in the provision of services.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Appendices



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Appendix A – Summary of arrangements

Financial Sustainability

Reporting Sub-Criteria	Findings
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The Council has an established approach to budget setting with regular reports provided to Cabinet at key points in the process, before taking the Medium Term Financial Plan to Full Council. The Council analyses all major Government funding announcements to understand their implications and incorporate any pressures arising into financial planning. The budget process includes taking account of the in-year monitoring position to identify recurrent pressures which need to be provided for in the following year in consultation with Finance Business Partners, Responsible Budget Officers (RBO) and senior managers.</p> <p>The RBOs are responsible for identifying budget risks. Any risks which have long term implications are then escalated to the Finance Projects team and incorporated into the budget process for risk mitigation activities to be coordinated with the service areas.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>The Council has a 4 year Medium Term Financial Plan. The Council reviews the forecast position in February each year and subsequently Cabinet allocates savings targets to Departments based on the identified gap position. Service Departments then develop savings proposals which are tested internally via a "budget challenge" process involving both officers and members through the Summer. Once validated as being robust, proposals are considered by Cabinet prior to public consultation. In the event that additional savings are required, the Council undertakes further rounds of budget challenge in November / December. The Section 151 officer provides his view of the robustness of the overall Budget, including saving proposals, as part of the Budget report to Cabinet / Full Council in January/February each year. In the February 2022 Medium Term Financial Plan, a council tax increase along with identified saving proposals meant there was no budget shortfall identified for 2022/23.</p>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>Strategic and Financial Planning reports to Cabinet through the budget setting process provide an overview of how the Budget is aligned to organisational strategy and priorities. Budgets are set in line with departmental priorities and savings proposals are developed in the context of statutory requirements. Budget setting considers both the medium term (four year) position and longer term outlook. The Council prepares the budget in the context of the CIPFA Financial Management Code (the FM Code) and the Annual Budget Report sets out an assessment of how compliance with the FM Code is achieved</p>

Appendix A – Summary of arrangements (continued)

Financial Sustainability

Reporting Sub-Criteria	Findings
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>Strategic and Financial Planning reports to Cabinet through the budget setting process provide an overview of how the Budget is aligned to organisational strategy and priorities. The Budget process includes a check of establishment against budgetary provision for salaries .</p> <p>Capital budgets are set in the Capital Strategy and Programme in February each year. This also sets out how these programmes are to be funded. This is a mix of grants and contributions provided by central government, prudential borrowing and capital receipt. All prudential borrowing is taken on with regard to the Treasury Management policy.</p> <p>The revenue budget, reserves strategy, capital programme and Treasury Management plans are all developed in conjunction with one another to ensure that any financial implications are consistently incorporated and reflected. This can be seen in the reporting of these areas as they are combined in one report.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>Risks to financial resilience are kept under review and identified through various mechanisms including regular financial monitoring and risk management processes. Financial regulations set out that Executive Directors are responsible for managing their services within the budget available for the year, and any variances, including non-delivery of planned savings (and mitigating actions) are reported to Cabinet monthly as part of financial monitoring. As part of budget setting, the Council undertakes a risk-based approach to assessing the required general fund balance. In preparing the annual budget, the Council also has regard to CIPFA's financial resilience index and the FM Code. The Budget report to Council includes an assessment of the robustness of budget estimates and broad sensitivity analysis.</p>

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria	Findings
<p>How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>The Council maintains a corporate, departmental and service risk registers. Regular reports are taken to Governance and Audit Committee to consider and agree. Internal Audit produce a 3 year strategic plan which is risk focused.</p> <p>Discussions are held with Executive/Assistant Directors and key senior managers to incorporate details on current risks within the Directorate's departments along with a review of the risk registers. These feed into the annual plan of audits undertaken by Internal Audit. Quarterly reports are taken to Governance and Audit Committee for consideration along with an annual report by the Head of Internal Audit. Internal audit reviews provide the Council with assurance over the effective operation of internal control, which cover arrangements to prevent and detect fraud. They feed into the Annual Governance Statement which is prepared annually.</p>
<p>How the body approaches and carries out its annual budget setting process</p>	<p>The Council produce the Revenue and Capital Budget and Medium Term Financial Strategy (MTFS) along with the Cabinet Report in February prior to the start of the financial year. A budget setting timetable is agreed by cabinet each year which follows the below process:</p> <ul style="list-style-type: none"> - Cabinet report setting out budget process and timetable, agreeing allocation of savings required and framework for service planning - Budget challenge undertaken by the Corporate Board and portfolio leads; - MTFS taken to Cabinet to review assumptions and proposed areas for savings - Select Committees consider proposed areas for savings - Review by Scrutiny Committee - Public consultation - Further budget challenge - Final settlement and then Budget taken to Cabinet in February to recommend to Council - Scrutiny Committee to consider budget proposals, consultation and impact assessments - Budget taken to Full Council for approval <p>The budget process includes taking account of the in-year monitoring position to identify recurrent pressures which need to be provided for in the following year in consultation with Finance Business Partners, Responsible Budget Officers and senior managers.</p>

Appendix A – Summary of arrangements (continued)

Governance

Reporting Sub-Criteria	Findings
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	There is a budget manager system in place to capture the monthly review by RBOs and this is supported by Finance. The review identifies any over/underspends, which are then included in the monthly monitoring report accompanied by commentary from the service areas on risks and mitigations being undertaken to address service and financial risks. Financial Regulations set out overarching controls, including that Executive Directors are responsible for managing their services within the budget available for the year. There is a programme of reports, updates and reviews undertaken by the various member-led internal committees and panels within the Council to review performance and scrutinise processes, policies and decision making throughout the year. The key findings, decisions and recommendations of these committees are reported to Cabinet for oversight and approval. Any material key decisions (as set out in the Council's constitution) are then referred to full Council for review and approval.
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	<p>Decision making processes are set out within Constitution and financial decisions are taken in accordance with Financial Regulations. The Scrutiny Committee has the opportunity to consider Cabinet decisions. Individual members can also raise questions to Cabinet on any reports presented, thus providing a further layer of challenge and review.</p> <p>All decision making reports to Cabinet include details of financial and other implications. In presenting key decisions to the Cabinet and Council for approval, officers must complete equality and data protection impact assessments as well as provide confirmations that the legal and statutory requirements of each service/area continue to be met.</p>
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	The Constitution, member/officer protocol and financial regulations set out the appropriate standards of officer and member behaviour. This is monitored by Democratic Services who maintain the online guidance for officers and members on best practice for declaration of interests, gifts and hospitality.

Appendix A – Summary of arrangements (continued)

Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	Annually through the Annual Governance Statement and Narrative Report the Council assesses its performance. This informs planning going forward. Quarterly "vital signs" are reported to Cabinet in the Corporate Significant Vital Signs report, to highlight the key performance indicators (KPIs) for each service area and provide updates on actions taken by each area to address any shortfall in performance. Each service area leadership team also receives monthly reports on performance from finance business partners and service managers.
How the body evaluates the services it provides to assess performance and identify areas for improvement	The Council have prepared and agreed a Norfolk County Council Plan 2021-2025. The "Better Together, for Norfolk" aims are a vibrant sustainable economy; better opportunities for children and young people; health fulfilling and independent lives, strong, engaged, and inclusive communities; and a greener, more resilient future. The plan provides a whole-Council view of significant activities and supports and is aligned with the Medium Term Financial Strategy. Quarterly "vital signs" reported to Cabinet capture the service performance against this Plan and is used by Cabinet to evaluate the performance and identify next steps for improvement, efficiencies and mitigations. There is a core transformation team in place which assists services in leveraging change projects and initiatives to achieve the improvements aimed for in service plans.
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>The Council has a number of significant Partnerships which are covered by the Financial Regulations. Separate governance arrangements exist for external boards / partnerships / joint ventures and decisions taken by Council Members at these boards that affect the Council will still be subject to the Council's Constitution. Members on these boards feedback to the appropriate committee where performance is monitored and action taken where necessary.</p> <p>To deliver its role with the New Anglia Local Enterprise Partnership, the Council launched the 'Norfolk Delivery Plan 6' to help rebuild the local economy, while attracting investment and putting infrastructure in place. For some specific partnerships, for example Business Rates Pool, particular governance agreements will be in place and details of the Pool are reported to Cabinet annually, as the Council is the lead authority.</p> <p>Stakeholder engagement is undertaken in many different ways. The Council consults on changes to services and other key decisions, such as the annual budget. The Council uses the "We Asked, You Said, We Did" approach to consultation by publishing key findings from consultations and feedback how these contributed to Council decisions.</p>
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	Procurement activities are supported by a Corporate procurement team which utilises the relevant framework agreements in place to achieve the best value for money outcome available when tendering for outsourced service contracts or the supply of goods to the Council. The local government and crown commercial services frameworks include criteria for service delivery and product specification which complies with the relevant legislation and professional standards. The Procurement team also ensure that Council's priorities and internal policies are adhered to when assessing tenders and supporting service areas in awarding contracts. The pipeline of contracts are reviewed on a quarterly basis by directorate management teams to ensure oversight of new procurements and that these contracts support and deliver the Council's service priorities. Any savings targets or performance benefits expected from the procurement of services is monitored and measured via agreed KPIs with the suppliers and reported to the relevant service directorate management team as part of regular performance reporting. Internal Audit undertake periodic reviews of procurement and these are reported to the Governance and Audit Committee.

Appendix B – Fees – Norfolk County Council

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We carried out our audit of the Council's financial statements in line with PSAA "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)".

	Final proposed fee 2021/22 Note 2 (£)	Planned fee 2021/22 (£)	Final fee 2020/21 Note 1 (£)
Scale fee	98,361	98,361	98,361
Scale fee rebasing (regulatory requirements)	25,040	-	60,751
Group accounting	11,705	TBD	
Pension valuation	15,175	TBD	
Additional Major Local Audit procedures	13,445	TBD	
Property valuation	19,325	TBD	
PFI	3,487	TBD	
Technical accounting issues	18,135	TBD	
Quality or preparation Issues	10,790	-	
VFM	18,007	10,000 to 19,000	
Covid-19	4,940	TBD	
Additional work of EY pensions experts	7,320	TBD	
ISA 540 estimates work	4,493	4,400	
Infrastructure assets accounting	8,982	-	
Non-compliance with laws and regulations	32,595	-	
Total audit fees	291,800	TBD	159,112

Details of individual fee increases are included in the next page

Appendix B – Fees – Norfolk County Council Relationships, services and related threats and safeguards

Notes

1) The 2020/21 Code work includes an additional fee of £60,781, which relates to additional work undertaken to address the risks identified during the audit. This has been approved by PSAA.

(2) For 2021/22, the scale fee represents the base fee, i.e. not including any additional testing to address risks or meet increased regulatory requirements. As outlined in previous reports, we have proposed an increase of £25,040 to the base scale fee to reflect the increased regulatory requirements. The audit was also impacted by a range of factors included in our Audit Planning Report and Audit Results Report which resulted in additional work. We set out the proposed additional fee to address these issues below. Now that the audit is complete, we have finalised our proposed fee and submitted it to PSAA for determination. We provide additional detail below:

- Work required to assess group boundaries, scope the group audit, manage component auditors, and complete consolidation procedures, £11,705
- Work required to obtain assurance over IAS19 reporting, including work over triennial valuation updates, £15,175
- The need to engage EY Pensions to review assumptions used in estimating the pensions IAS19 liability (specialist cost only), £7,320.
- Norfolk County qualifies as a major local authority and this requires the inclusion of an engagement quality review and increased considerations on independence, materiality and technical review of financial statements, £13,445
- Work required to gain assurance over the valuation of other land and buildings and investment property, £19,325.
- Work required to gain assurance over accounting on PFI schemes held by the Council, including review of models and disclosures, £3,487
- Work required to gain assurance over technical accounting issues including testing of capital expenditure recognition and management override, alternative procedures for non-receipt of investment confirmations, and consideration of net versus gross implications on the cash flow, £18,135
- Quality considerations relating to procedures to complete mapping of data analytics and obtain assurance over information produced by the entity, rechecking of final sets of accounts due to consistency issues, and resampling expenditure and income for updated populations, £10,790
- Completion of VFM commentary and consideration of impact of identified potential non-compliance with laws and regulations on arrangements, £18,007
- Additional procedures to gain assurance over covid grant income and going concern disclosures, £4,940
- Additional procedures required by ISA 540 on all accounting estimates (excluding specialist costs), £4,493
- Additional procedures performed on accounting for subsequent expenditure on infrastructure assets, £8,982
- Consideration of impact of potential non-compliance with laws and regulations including consultation with internal specialists, £32,595

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

* All fees exclude VAT

Appendix B – Fees – Norfolk Pension Fund

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)".

Audit Fees – Norfolk Pension Fund	Final proposed fee 2021/22	Planned fee 2021/22	Final Fee 2020/21
	£	£	£
Scale fee	20,866	20,866	20,866
Changes in work required to address professional and regulatory requirements and scope associated with risk - variation to the scale fee	50,140 (b)	50,006 (b)	17,037 (a)
Additional fee in respect of work on behalf of admitted body auditors - non code work (c)	15,000	15,000	12,500
Additional level 3 investment valuation procedures (d)	6,729	-	N/A
Additional going concern procedures (e)	1,075	-	N/A
Impact of revised ISA 540 - estimates (f)	2,004	-	N/A
Change in custodian (g)	6,980		N/A
Total Fees	102,794	TBC	49,196

All fees exclude VAT

See next slide for notes on the fees per table above. The above fees have been submitted to PSAA for determination

Appendix B – Fees – Norfolk Pension Fund Relationships, services and related threats and safeguards

Notes on fees

(a) For 2020/21, PSAA approved a fee variation of £17,037 in addition to the scale fee of £20,866. The additional fee represents the cost incurred as a result of additional work required in response to increased FRC challenge on investment valuations and estimates including time spent mapping general ledger data.

(b) We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the PSAA tender exercise for this audit. For 2021/22, as in the previous year, we have therefore proposed increases to the scale fee to take into account a number of risk factors including: procedures to address the risk profile of the Pension Fund; additional work to address increase in regulatory standards; client readiness and IT support for data analytics. The proposed scale fee increase is subject to determination by PSAA.

(c) Additional fee to take into account the work required to respond to IAS19 assurance requests from admitted bodies and their auditors. The Pension Fund can recharge this fee to the relevant admitted bodies. This is not subject to PSAA approval.

(d) Additional audit procedures performed relating to the valuation of Investments, particularly the Level 3 investments where we have a significant risk.

(e) Additional procedures relating to the going concern, which we identified as an area of focus for 2021/22.

(f) In response to the revised auditing standard ISA 540 (Estimates), we have performed additional procedures and completed additional documentation on significant estimates. For the Pension Fund, the significant estimates included the valuation of level 3 investments and IAS 26 disclosures related to the actuarial value of retirement benefit.

(G) Additional work to gain assurance over change in custodian from HSBC to Northern Trust which we identified as an inherent risk.

Now that we have concluded our audit we have submitted the addition fee proposals to PSAA for determination.

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Norfolk County Council

Value for Money Interim Report

Year ended 31 March 2023

April 2024



17 April 2024

Norfolk County Council
County Hall
Martineau Lane
Norwich
NR1 2DH

Dear Audit and Governance Committee Members

2022/23 Value for Money Interim Report

We are pleased to attach our interim commentary on the Value for Money (VFM) arrangements for Norfolk County Council. This commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. The National Audit Office (NAO) issued a consultation on 8 February 2024 seeking views on changes to the Code of Audit Practice (the Code) to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements. The consultation proposes to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. At this stage, we are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit and Governance Committee meeting on 30 April 2024.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psaa.co.uk/auditquality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to Audit and Governance Committee and management of Norfolk County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Norfolk County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of Norfolk County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Executive Summary



Executive Summary

Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2020 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).


The purpose of this interim commentary is to explain the work we have undertaken to assess the Council's arrangements during the period 1st April 2022 to 31st March 2023 and highlight any significant weaknesses identified along with recommendations for improvement. The commentary covers our interim findings for audit year 2022/23.

The Department for Levelling Up, Housing and Communities (DLUHC) has worked collaboratively with the Financial Reporting Council (FRC), as incoming shadow system leader, and other system partners, to develop measures to address the delay in local audit. As part of the NAO consultation issued on 8 February 2024, there is a proposal to reduce the scope of the VFM reporting up to and including the 2022/23 financial year. However, the consultation states that where auditors have begun or already undertaken work that no longer falls under the reduced scope (if agreed once the consultation closes), they may still report on it in accordance with Schedule 4. We are continuing to report VFM in line with our existing responsibilities as set out in the 2020 Code to ensure a smooth transition to the 2023/24 audit year when auditors are required to meet the full Code reporting responsibilities.

The report sets out the following areas which have been assessed up to the point of issuing this interim report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified;
- Findings to date from our planned procedures; and
- Summary of arrangements over the period covered by this report (Appendix A).

We will summarise our final view of the value for money arrangements as part of the Auditor's Annual Report once the audit report has been issued for 2022/23.



Executive Summary (continued)

Risks of Significant Weakness

In undertaking our procedures to understand the Council's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with the S151 officer (Director of Strategic Finance);
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council management and the finance team.

We completed our risk assessment procedures and did not identify any significant weaknesses in the Council's VFM arrangements.

As a result, we have no matters to report by exception at this stage of the audit.

Executive Summary (continued)

Reporting

Our commentary for 2022/23 is set out over pages 10 to 12. The interim commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2022/23. We include within the VFM commentary below the associated recommendation(s) we have agreed with the Council.

Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2021/22 Auditor's Annual Report and have been updated for 2022/23.

In accordance with the NAO's 2020 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of audit procedures, and whether, at the time of this report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weakness identified
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weakness identified
Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weakness identified



Executive Summary (continued)

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1st April 2022 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2023

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



02

Value for Money Commentary

Value for Money Commentary

Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility of these arrangements, and reporting on the design and operations of these arrangements via the Annual Governance Statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ender 31 March 2023. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

The Council has a number of processes supporting its delivery of services and the budget, such as the budget setting, monthly budget monitoring and the Medium Term Financial Strategy (MTFS). The Council has maintained its track record of setting and delivering its budget for the year ended 31st March 2023. This however has not been without significant challenges due to unprecedented increases in demand for, and cost of, services, and has required the Council to apply revenue reserves and one off savings to support the budget.

For 2022/23, the Council reported an underspend position of £0.570 million which was transferred to the general fund. The Council achieved an underspending position through continuous review of all cost centres to identify overspends and develop mitigating actions where potential overspends were identified throughout the year. The Council experienced significant pressures in children's services resulting in a service level overspend of £14.39 million. This was largely driven by services supporting special needs and school transport. This was offset by savings of £15.344 million. However, a significant portion of these savings (£6.567 million) were from interest savings due to slippage in the capital programme which will therefore impact on future years. The total general fund balance at 31 March 2023 is £24.410 million, which is above the minimum level set by the Council's Section 151 Officer of £23.268 million. The level of general fund balance is projected to be maintained over the minimum level, which increases each year, over the period of the MTFS.

The Council set a balance budget for 2023/24 without the use of general fund balances. However, the budget relies on the release of earmarked reserves to achieve a balanced position and included savings of just under £60 million. The Budget Book 2022-26 includes a planned reduction in non-school general balances and earmarked reserves of 54.94% from £136.590 million in March 2021 to £61.542 million in March 2026. While this does not pose an immediate risk to the financial sustainability of Council, the use of reserves is not a sustainable long term solution. It is therefore vital that the Council's transformation programme is effective in identifying future savings and efficiencies or reducing the demand for and cost of services.

The Council's updates to its MTFS have also reflected these increasing pressures, with the gap for the period 2024/25 to 2026/27 reaching £126.523 million. As mentioned in previous years commentary the council had identified a gap for 23/24 of circa 60 million which was addressed throughout 2022/23 via identification of savings programs. The key areas causing the future pressures are temporary accommodation, adult social care and school transport. The Council has put in place an ongoing transformation programme to support the identification and delivery of achievable and ongoing savings to address the service pressures and resulting budget gaps. These are focused on the key areas of pressure that have been identified as well as improving efficiencies across the Council.

The Council has a good track record of delivering savings, with 91% of savings being delivered in 2021/22 and 85% in 2022/23 and a forecast of 97% for 2023/24. We are therefore satisfied that processes to identify, monitor and deliver savings are adequate.

In relation to capital investment, the Capital Strategy is refreshed annually to ensure it remains current and complies with CIPFA's Prudential and Treasury Management Codes. The Strategy includes sufficient detail to allow Members to understand how stewardship, value for money, prudence, sustainability and affordability will be secured and how this meets legislative requirements on reporting. The investment themes in the Strategy link to the Council's long-term vision set out in the Corporate Plan, the Corporate Asset Plan and Treasury Management Strategy.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility of these arrangements and reporting on the design and operations of these arrangements via the Annual Governance Statement, rests with management. In Accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ender 31 March 2023. In 2022/23, we did not identify any risk of significant weakness in arrangements in place to ensure sound governance.

The Council produces an Annual Governance Statement (AGS) each year and this includes an annual review of the effectiveness of the system of internal controls. The preparation and publication of the Annual Governance Statement in accordance with 'Delivering Good Governance in Local Government Framework (2016)' fulfils the statutory requirement for the annual review of the effectiveness of systems of internal control and also meets the requirement for 'preparation in accordance with proper practice'. The Council has an effective Internal Audit function which reports on a regular basis to the Audit and Governance Committee. Management is responsible for reviewing Internal Audit findings and taking any necessary mitigating actions. The Head of Internal Audit's Annual Report on the internal control environment, prepared in accordance with the Public Sector Internal Audit Standards, provides an independent opinion on the adequacy and effectiveness of the Council's system of internal control in respect of its financial and non-financial systems. The final Head of Internal Audit's opinion for 2022/23 concluded that the overall opinion on the adequacy and effectiveness of the County Council's framework for of risk management, governance and control for 2022/23 was 'Acceptable'

The Audit and Governance Committee is responsible for assessing and providing assurance on the effectiveness of the Council's systems for governance, risk management, internal control and counter-fraud under review. The Audit and Governance Committee receives and considers reports on the Council's overall risk management arrangements and also receives reports on specific risk issues that are considered worthy of individual reporting by Internal Audit or the officers of the Council. The Council has a Code of Conduct for members and officers (and for the relationship between these two) that are included as part of the Constitution on the intranet. There is also a standing item on agendas to facilitate declarations of interest. Management takes appropriate action in response to departures from approved policies and procedures or the Code of Conduct. The Anti-Fraud and Corruption Strategy, Whistle blowing Strategy, Money Laundering Policy and the Standards of Conduct are promoted through staff newsletters and on the Council's Intranet site as well as through training for non-financial managers. The Committee is aware, through the reports it receives, of the arrangements Executive Directors have in place for communicating with employees, members, partners and stakeholders regarding ethical governance and standards of conduct and behaviour. The Committee has responsibility for reviewing the Anti-Fraud and Corruption arrangements. The Committee approved a revised Anti-Fraud, Bribery and Corruption Policy and Strategy in April 2021 following the launch of the national strategy 'Fighting Fraud and Corruption locally'.

The Executive takes the lead and is responsible for most day-to-day decisions. The Executive must make decisions which are in line with The Council's overall policies and budget. All financial decisions must be made in accordance with Financial Regulations. The Council has a Scrutiny Committee which has the opportunity to consider all decisions made by Cabinet and provide effective challenge. Individual members are also empowered to raised questions to Cabinet for any presented reports providing further appropriate review and challenge to all decisions made. Members of the public have their say in Council business through regular consultations on specific matters. These consultations and other engagement with the public, support reports and recommendations which advise the Executive and the Council on its policies, budget and services.

The Council published their draft 2022/23 financial statements on the 31st May 2023, which was in line with the deadline of 31 May set out in the Audit and Accounts regulations. The Council advertised and held an inspection period for members of the public following the publication of the accounts. We have undertaken a high level review of the 2022/23 draft financial statements and have confirmed they are arithmetically correct, agree to the data in the general ledger and the content is in line with the CIPFA Code. The Council has carried out bank reconciliations during the year. We are therefore satisfied that appropriate arrangements for financial reporting were in place during 2022/23.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to make informed decisions and properly manage its risks.

Value for Money Commentary (continued)

Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services

No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility of these arrangements and reporting on the design and operations of these arrangements via the Annual Governance Statement, rests with management. In Accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ender 31 March 2023. In 2022/23, we did not identify any risk of significant weakness in arrangements in place to ensure economy, efficiency, and effectiveness.

The Council has an established strategy published on their website and referred to as 'Better Together, For Norfolk' with key aims including a vibrant sustainable economy; better opportunities for children and young people; healthy fulfilling and independent lives; strong, engaged, and inclusive communities; and a greener, more resilient future. This strategy underpins updates to the medium term financial strategy and annual budgeting process. On a quarterly basis Cabinet is presented with a report on Corporately Significant Vital Signs which acts as the performance monitoring tool for delivery of the strategy. As of the end of 2022/23 the Council was performing within or above target on 82.5% of the identified metrics.

The Council is active across many partnerships and stakeholders at the local, regional, and wider levels. The Council engages with the New Anglia Local Enterprise Partnership (NALEP) in development of the economic strategy launching the Norfolk Delivery Plan. Other key partnerships include Norfolk Area SEND Multi Agency Steering Group, Multi-agency Safeguarding Hub, the NHS, and Police. It also engages with many groups including the voluntary and community sector, town and parish councils, diversity networks, and national trails.

The Council engages with its stakeholders in a variety of ways. The Council consults on changes to services and other key decisions, such as the annual budget. The Council uses the "We Asked, You Said, We Did" approach to consultation by publishing key findings from consultations and feedback how these contributed to Council decisions.

The Council has a procurement policy and contract procedure rules which govern tendering and contract award. We did not identify any weaknesses in the Council's procurement procedures in 2022/23. All procurements are governed by the Council's Contract and Procurement Rules (part of the Council's Constitution). Compliance with these is monitored by Procurement and Legal and the Contract Procurement Group. Any savings targets or performance benefits expected from the procurement of services is monitored and measured via agreed metrics with suppliers and reported on. The internal audit function performs routine review of procurement and major capital projects. Most recently the internal audit function completed their review on capital projects with an 'acceptable' rating issued.

Conclusion: Based on the work performed, the Council had proper arrangements in place in 2022/23 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.



03

Appendices

Appendix A - Summary of arrangements

Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting criteria considerations

Arrangements in place

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council has an established approach to budget setting with regular reports provided to Cabinet at key points in the process, before taking the medium term financial plan to Full Council. The Council analyses all major Government funding announcements (Spending Review 2021 and provisional Settlement 2022-23) to understand their implications and incorporate any pressures arising into financial planning. The budget process includes taking account of the in-year monitoring position to identify recurrent pressures which need to be provided for in the following year in consultation with Finance Business Partners, Responsible Budget Officers (RBO) and senior managers.

The RBOs are responsible for identifying budget risks. Any risks which have long term implications are then escalated to the Finance Projects team and incorporated into the budget process for risk mitigation activities to be coordinated with the service areas.

How the body plans to bridge its funding gaps and identifies achievable savings

The Council has a four year Medium Term Financial Strategy (MTFS). The Council reviews the forecast MTFS position in February each year and subsequently Cabinet allocates savings targets to Departments based on the identified gap position. Service Departments then develop savings proposals which are tested internally via a "budget challenge" process involving both officers and members through the Summer. Once validated as being robust, proposals are considered by Cabinet prior to public consultation. In the event that additional savings are required, the Council undertakes further rounds of budget challenge in November and December. The Section 151 officer provides his view of the robustness of the overall Budget, including saving proposals, as part of the Budget report to Cabinet and Full Council in January or February each year. In the Medium Term Financial Plan reported in February 2023 council tax increase along with identified saving proposals meant there was no budget shortfall was identified for 2023-24 and a balanced budget was set.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

Strategic and Financial Planning reports to Cabinet through the budget setting process to provide an overview of how the Budget is aligned to organisational strategy and priorities. Budgets are set in line with departmental priorities and savings proposals are developed in the context of statutory requirements. Budget setting considers both the medium term (four year) position and longer term outlook. The Council prepares the budget in the context of the CIPFA FM Code and the annual Budget report sets out an assessment of how compliance with the FM Code is achieved.

The provisional outturn for 2022/23 reported a £0.570 million service underspend which was transferred to the general fund. The Council set a balanced budget for 2023/23, which included savings programs to close to circa £60 million and again included some use of earmarked reserves. Looking forward a total budget gap of £126.523 million has been identified for the period 2024/25 to 2026/27. The Council will need to continue to actively progress their transformation programme to address this challenge.

Appendix A - Summary of arrangements

Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	<p>Strategic and Financial Planning reports to Cabinet through the budget setting process provide an overview of how the Budget is aligned to organisational strategy and priorities. The Budget process includes a check of establishment against budgetary provision for salaries.</p> <p>Capital budgets are set in the Capital Strategy and Programme in February each year. This also sets out how these programmes are to be funded. This is a mix of grants and contributions provided by central government, prudential borrowing and capital receipt. All prudential borrowing is taken on with regard to the Treasury Management policy.</p> <p>The revenue budget, reserves strategy, capital programme, and Treasury Management plans are all developed in conjunction with one another to ensure that any financial implications are consistently incorporated and reflected. This can be seen in the reporting of these areas as they are combined in one report.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>Risks to financial resilience are kept under review and identified through various mechanisms including regular financial monitoring and risk management processes. Financial regulations set out that Executive Directors are responsible for managing their services within the budget available for the year, and any variances, including non-delivery of planned savings (and mitigating actions) are reported to Cabinet monthly as part of financial monitoring. As part of budget setting, the Council undertakes a risk-based approach to assessing the required general fund balance. In preparing the annual budget, the Council also has regard to CIPFA's financial resilience index and the FM Code. The Budget report to Council includes an assessment of the robustness of budget estimates and broad sensitivity analysis.</p>

Appendix A - Summary of arrangements

Governance

We set out below the arrangements for the governance criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Council maintains a corporate, departmental and service risk registers. Regular reports are taken to Audit Committee to consider and agree. Internal audit produce a 3 year strategic plan which is risk focused. Conversations are undertaken with Executive/ Assistant Directors and key senior managers to incorporate discussions on where current risks are within the Directorate's departments along with a review of the risk registers. These feed into the annual plan of audits undertaken by internal audit. Quarterly reports are taken to audit committee for consideration along with an annual report by the Head of Internal Audit. Internal audits are how the Council gains assurance over the effective operation of internal control, which cover arrangements to prevent and detect fraud. They feed into the Annual Governance Statement which is prepared annually.</p>
How the body approaches and carries out its annual budget setting process	<p>The Council produce the Revenue and Capital Budget and Medium Term Financial Strategy along with the Cabinet Report in February prior to the start of the financial year. A budget setting timetable is agreed by cabinet each year which follows the below process:</p> <ul style="list-style-type: none">➤ Cabinet report setting out budget process and timetable, agreeing allocation of savings required and framework for service planning➤ Budget challenge undertaken by the Corporate Board and portfolio leads;➤ MTFS taken to Cabinet to review assumptions and proposed areas for savings➤ Select Committees consider proposed areas for savings➤ Review by scrutiny committee➤ Public consultation➤ Further budget challenge➤ Final settlement and then Budget taken to Cabinet in February to recommend to Council➤ Scrutiny Committee to consider budget proposals, consultation and impact assessments➤ Budget taken to Full Council for approval <p>The budget process includes taking account of the in-year monitoring position to identify recurrent pressures which need to be provided for in the following year in consultation with Finance Business Partners, Responsible Budget Officers and senior managers.</p>

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	<p>There is a Budget Manager system in place to capture the monthly review by RBOs and this is supported by Finance. The review flags up any over/underspends, which then feature on the monthly monitoring report accompanied by commentary from the service areas on risks and mitigations being undertaken to address service and financial risks. Financial Regulations set out overarching controls, including that Executive Directors are responsible for managing their services within the budget available for the year. There is a programme of reports, updates and reviews undertaken by the various member-led internal committees and panels within the Council to review performance and scrutinise processes, policies and decision making throughout the year. The key findings, decisions and recommendations of these committees are reported to Cabinet for oversight and approval. Any material key decisions (as set out in the Council's constitution) are then referred to full Council for review and approval.</p>
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/ Audit and Governance Committee	<p>Decision making set out within Constitution and financial decisions taken in accordance with Financial Regulations. The Scrutiny Committee has the opportunity to consider Cabinet decisions. Individual members can also raise questions to Cabinet on any reports presented, thus providing a further layer of challenge and review.</p> <p>All decision making reports to Cabinet include details of financial and other implications. In presenting key decisions to the Cabinet and Council for approval, the officers must complete equality and data protection impact assessments as well as provide confirmations that the legal and statutory requirements of each service/ area continue to be met.</p> <p>The Council consults on changes to services and other key decisions, such as the annual budget. The Council uses the "We Asked, You Said, We Did" approach to consultation by publishing key findings from consultations and feedback how these contributed to Council decisions.</p>

Appendix A - Summary of arrangements

Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	<p>A number of arrangements are in place to ensure relevant standards are complied with, including:</p> <ul style="list-style-type: none">➤ The Constitution, member/officer protocol and financial regulations set out the appropriate standards of officer and member behaviour. This is monitored by Democratic Services who maintain the online guidance for officers and members on best practice for declaration of interests, gifts and hospitality.➤ Members Code of Conduct relating to interests are in Part 3B of the Constitution. There is a standing item on the agenda of all committees to facilitate the declarations of interest.➤ Management takes appropriate action in response to departures from approved policies and procedures or the Code of Conduct.➤ A whistle blowing policy is in place which can be used by employees to raise concerns about the Council, including accounting, auditing, IT, or internal control issues.➤ Allegations of fraud or other concerns can be raised with Internal Audit.➤ A contracts register is maintained, and the council publishes details of all payments over £500 on their website every month.➤ The Council is clear that corrupt behaviour will lead to dismissal and is a crime. The Council has a zero-tolerance policy on fraud and has a confidential mechanism for reporting malpractice.➤ The Council is also subject to external regulatory review by Ofsted and the Care Quality Commission. We have considered the reports issued during the year and are satisfied that there are no significant weaknesses raised in these reports.

Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	Annually through the Annual Governance Statement and Narrative Report the Council assess the performance of the Council which informs planning going forward. Quarterly "vital signs" are reported to Cabinet in the Corporately Significant Vital Signs report, to highlight the KPIs for each service area and provides updates on actions taken by each area to address any shortfall in performance. Each service area leadership team also receive monthly reports on performance from finance business partners and service managers.
How the body evaluates the services it provides to assess performance and identify areas for improvement	The Council have prepared and agreed a Norfolk County Council Plan 2021-2025. The "Better Together, for Norfolk" aims are a vibrant sustainable economy; better opportunities for children and young people; health fulfilling and independent lives, strong, engaged, and inclusive communities; and a greener, more resilient future. The plan provides a whole-Council view of significant activities and supports and is aligned with the Medium Term Financial Strategy. Quarterly "vital signs" reported to Cabinet captures the service performance against this plan and is used by Cabinet to evaluate the performance and identify next steps for improvement, efficiencies and mitigations. There is a core transformation team in place which assists services in leveraging change projects and initiatives to achieve the improvements aimed for in service plans.
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>The Council has a number of significant Partnerships which are covered by the Financial Regulations. Separate governance arrangements will exist for external boards / partnerships / joint ventures and decisions taken by Council Members at these boards that affect Norfolk County Council will still be subject to the Norfolk County Council Constitution. Members on these boards will feedback to the appropriate committee where performance can be monitored and action taken where necessary.</p> <p>To deliver its role with the New Anglia Local Enterprise Partnership it launched the 'Norfolk Delivery Plan 6' to help rebuild the local economy, while attracting investment and putting infrastructure in place. For some specific partnerships for example Business Rates Pool, particular governance agreements will be in place and details of the Pool are reported to Cabinet annually, as NCC is lead authority.</p> <p>Stakeholder engagement is undertaken in many different ways. The Council consults on changes to services and other key decisions, such as the annual budget. The Council uses the "We Asked, You Said, We Did" approach to consultation by publishing key findings from consultations and feedback how these contributed to Council decisions.</p>



Appendix A - Summary of arrangements

Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	Procurement activities are supported by Corporate procurement team which utilises the relevant framework agreements in place to achieve the best value for money outcome available when tendering for outsourced service contracts or key supply of goods to the Council. The local government and Crown Commercial Services frameworks include criteria for service delivery and product specification which complies with the relevant legislation and professional standards. The Procurement team also ensure that Council's priorities and internal policies are adhered to when assessing tenders and supporting service areas in awarding contracts. The pipeline of contracts are reviewed on a quarterly basis by the DMT to ensure oversight of new procurements and that these contracts support and deliver the Council's service priorities. Any savings targets or performance benefits expected from the procurement of services is monitored and measured via agreed KPIs with the suppliers and reported to the relevant service DMT as part of regular performance reporting. Internal Audit undertake periodic reviews of Procurement and this is reported to the Audit Committee.

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ED None

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Norfolk Pension Fund Audit results report

Year ended 31 March 2023

26 March 2024



26 March 2024



Audit & Governance Committee / Pension Fund Committee Members,
Norfolk County Council
County Hall
Martineau Lane
Norfolk - NR1 2DH

Dear Audit & Governance Committee / Pension Fund Committee Members

2022/23 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit & Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Norfolk Pension Fund for 2022/23.

The audit is designed to express an opinion on the 2022/23 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Norfolk Pension Fund's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting on the 30 April 2024.

Yours faithfully

David Riglar
Partner
For and on behalf of Ernst & Young LLP

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05	Other Reporting Issues	06	Assessment of Control Environment	07	Independence	08	Appendices

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/psaa-statement-of-responsibilities-of-auditors-and-audited-bodies-up-to-2022-23/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance from July 2021" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



01 Executive Summary



Executive Summary

Scope update

In our Audit Plan tabled at the 26 September 2023 Audit & Governance Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan. We revisited our materiality calculation and confirmed that the level of £49 million set at planning stage (1% of net assets) remained appropriate. Performance materiality also remained unchanged at £36.75 million (75% of planning materiality).

We have not made any revisions to the audit risks and planned audit procedures set out within the Audit Plan.

Status of the audit

Our audit work in respect of the Pension Fund opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- Level 2 Investments Testing;
- Journal Entry Testing (Non-Financial Data Points).

Closing Procedures

- Subsequent events review;
- Agreement of the final set of accounts;
- Receipt of signed management representation letter; and
- Final Manager and Engagement Partner reviews.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B. Subject to satisfactory completion of the outstanding items above, we expect to issue an unqualified opinion upon the Pension Fund Financial Statements. We are currently unable to provide a timeline for the final sign off of the audit, due to the need to agree a timescale for procedures on the Council's 2022/23 Statement of Accounts. We will need to ensure our procedures are fully up to date until the point of signing, including reviewing minutes, assessing Post Balance Sheet Events and updating the going concern assessment. We will, if possible, provide an update on this matter to the Audit Committee on 30 April 2024

Audit differences

Uncorrected audit differences

At the time of issuing this report, there are no uncorrected audit differences in the accounts.

Corrected audit differences

We identified a limited number of minor audit disclosure differences in the financial statements, which management has amended for.



Executive Summary (cont'd)

Areas of audit focus

In our Audit Plan, we identified a number of key areas of focus for our audit of the financial report of Norfolk Pension Fund. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Misstatements due to fraud or error - Fraud risk

We have completed the majority of our testing and found no indications of management override of controls and have no matters to report. Our sample testing to verify non-financial data points used within our audit approach is outstanding.

Valuation of complex investments (unquoted investments) - Significant risk

We have completed our work in this area and have no matters to report.

New finance system - myOracle - Significant risk

We have completed our work in this area and have no matters to report.

IAS 26 Disclosure - Actuarial value of promised retirement benefits - Inherent risk

We have completed our work in this area and have no matters to report.

We request that you review these and other matters set out in this report to ensure that:

- There are no residual further considerations or matters that could impact these issues;
- You concur with the resolution of the issue; and
- There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by Management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee, the Pension Fund Committee, or Management.



Executive Summary (cont'd)

Control observations

During the audit, we did not identify any significant deficiencies in internal controls. We have taken a wholly substantive approach to the audit.

Independence

There are no relationships from 1 April 2022 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity. Please refer to Section 07 for our full update on Independence.

The background of the slide features a close-up photograph of a person's hand holding a silver pen, pointing at a tablet screen. The screen displays a bar chart with several bars of varying heights, colored in shades of green, yellow, and red. The person is wearing a blue patterned shirt and a dark tie.

02 Areas of Audit Focus

Areas of Audit Focus

Misstatements due to fraud or error

What is the risk, and the key judgements and estimates?

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

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

What are our conclusions?

We have completed the majority of our procedures and have not identified any material weaknesses in controls or evidence of material management override. Our sample testing to verify non-financial data points used within our audit approach is outstanding.

We have not identified any instances of inappropriate judgements being applied.

We did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business.

Our strategy to testing journals for investment values included reconciling to source reports, including fund managers and custodians reports, and the re-performance of the investment note. These procedures have not identified any instances of inappropriate posting of investment journals.

Our response to the key areas of challenge and professional judgement

We undertook the following standard procedures to address the fraud risk, which include:

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiring of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considering the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including:
 - ▶ Testing of journal entries and other adjustments in the preparation of the financial statements;
 - ▶ Reviewing accounting estimates for evidence of management bias; and
 - ▶ Evaluating the business rationale for significant unusual transactions.

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We also assessed journal entries for evidence of management bias and evaluated the business rationale.

Areas of Audit Focus (cont'd)

Valuation of complex investments (unquoted investments)

What is the risk, and the key judgements and estimates?

The Fund's investments include unquoted Pooled Investment vehicles such as Private Equity, Infrastructure and Property Investments.

Judgements are made by the investment managers to value these investments whose prices are not publicly available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error.

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

What are our conclusions?

Our work in this area has been concluded and we do not have any issues to report

Our response to the key areas of challenge and professional judgement

Our approach focused on:

- ▶ Analysing a schedule of investments to ensure correct classification, presentation and disclosure of items in the financial statements and corresponding notes;
- ▶ Understanding and evaluating of the work of management's expert;
- ▶ Evaluating the ISAE 3402 report for Custodian and/or Fund Manager where applicable;
- ▶ Reviewing the latest audited accounts for the relevant fund managers to ensure there are no matters arising that highlight weaknesses in the funds valuation;
- ▶ Where the latest audited accounts were not as at 31 March 2023, making enquiry of what procedures management have performed to take account of this risk, performing analytical procedures and checking the valuation output for reasonableness against our own expectations;
- ▶ Perform triangulation work to agree amounts per the financial statements to Fund Manager and to Custodian; and
- ▶ Testing accounting entries have been correctly processed in the financial statements.

Areas of Audit Focus (cont'd)

New Finance System - myOracle

What is the risk, and the key judgements and estimates?

At the start of the 2022/23 financial year, the Pension Fund changed their finance system from Oracle EBS to myOracle.

As with any major IT upgrade programme, there is a risk that 100% of the relevant financial information has not been appropriately transferred to the new system, leading to material misstatement in the 2022/23 financial statements. There is also a risk that the new general ledger system does not map the transactions to the correct part of the financial statements.

In addition, we need to be assured that the IT control environment within the new financial system is working as designed.

What are our conclusions?

We have not identified any material weaknesses in controls in place over the data transfer. We have held discussions with EY IT Specialists to assess the risks and IT General Control's surrounding the implementation of the new system and concluded there was no requirement for their involvement in the detailed testing of the implementation.

We have completed the procedures above and not identified any material errors relating to the data transfer or the implementation of the new system.

Our response to the key areas of challenge and professional judgement

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

- ▶ Investigating the control procedures implemented by the Council to ensure the data from the old system transferred accurately and completely into the new system;
- ▶ Agreeing the 2022/23 opening balances to the 2021/22 closing balances and corroborating to the audited 2021/22 financial statements;
- ▶ Applying data analytic trending analysis and investigate any material differences;
- ▶ Considering the results from transaction testing of the Fund Account and the Net Asset Statement to provide assurance on the mapping applied to the 2022/23 data; and
- ▶ Reviewing the design and use of IT application controls within the new financial system to ensure the IT control environment remains stable.

Areas of Audit Focus (cont'd)

Other Areas of Audit Focus

What is the risk/area of focus?

IAS 26 Disclosure - Actuarial Present Value of Promised Retirement Benefits

The Fund's IAS 26 disclosure shows that the actuarial present value of promised retirement benefits is £4,866 million as at 31 March 2023, with the fair value of scheme assets disclosed as £4,872 million.

The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson. The estimate is based on the 2022 triennial valuation, and takes into account local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.

There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2023.

What did we do and what is our conclusion?

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

- ▶ Assessing the competence of managements expert, Hymans Robertson;
- ▶ Engaging with the NAO's consulting actuary and our EY Pensions Advisory Team to review the IAS 26 approach applied by the actuary are reasonable and compliant with IAS 26;
- ▶ Ensuring that the IAS 26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary;
- ▶ Reconciliation of data provided to actuary for triennial valuation; and
- ▶ Engaged EY Pensions Specialists to perform a roll-forward calculation for the IAS19 calculation at the largest admitted body; and
- ▶ Sample testing of members details included in the triennial valuation data submission to ensure the details agree to underlying records.

No material issues have been found relating to the IAS 26 disclosure. We have concluded that information is consistent from the system through to submission to the actuary.



03 Audit Report

Audit Report

Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORFOLK COUNTY COUNCIL ON THE PENSION FUND'S FINANCIAL STATEMENTS

Opinion

We have audited the Pension Fund ("the Fund") financial statements for the year ended 31 March 2023 under the Local Audit and Accountability Act 2014 (as amended). The pension fund financial statements comprise the Fund Account, the Net Assets Statement and the related notes 1 to 26.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the Fund during the year ended 31 March 2023 and the amount and disposition at that date of the its assets and liabilities as at 31 March 2023 ; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Council as administering authority for the Pension Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Strategic Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of twelve months from when the Fund's financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Strategic Finance with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

Other information

The other information comprises the information included in the Norfolk County Council Statement of Accounts 22-23, other than the financial statements and our auditor's report thereon. The Director of Strategic Finance is responsible for the other information contained within the Norfolk County Council Statement of Accounts 22-23.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Audit Report (cont'd)

Draft audit report

Matters on which we report by exception

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended);
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended);
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended); or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).

We have nothing to report in these respects

Responsibility of the Director of Strategic Finance

As explained more fully in the Statement of Responsibilities for the Pension Fund Accounts set out on page 80, the Director of Strategic Finance is responsible for the preparation of the Authority's Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and for being satisfied that they give a true and fair view. The Director of Strategic Finance is also responsible for such internal control as the Director of Strategic Finance determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Strategic Finance is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Administering Authority either intends to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with the Director of Strategic Finance.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Fund and determined that the most significant are the Local Government Pension Scheme Regulations 2013 (as amended), and The Public Service Pensions Act 2013.
- We understood how the Fund is complying with those frameworks by making inquiries of the management. We corroborated this through our reading of the Pension Board minutes, through enquiry of employees to confirm Pension policies, and through the inspection of employee handbooks and other information.

Audit Report (cont'd)

Draft audit report

- Based on this understanding, we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved making enquiries of the management for their awareness of any non-compliance of laws or regulations, inspecting correspondence with the Pensions Regulator and review of minutes.
- We assessed the susceptibility of the Fund's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements and documenting the controls that the Fund has established to address risks identified, or that otherwise seek to prevent, deter or detect fraud.
- In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any identified significant transactions that were unusual or outside the normal course of business. These procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- The Fund is required to comply with The Local Government Pensions Scheme regulations, other legislation relevant to the governance and administration of the Local Government Pension Scheme and requirements imposed by the Pension Regulator in relation to the Local Government Pension Scheme. As such, we have considered the experience and expertise of the engagement team including the use of specialists where appropriate, to ensure that the team had an appropriate understanding of the relevant pensions regulations to assess the control environment and consider compliance of the Fund with these regulations as part of our audit procedures.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of Norfolk County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Norfolk County Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.



04 Audit Differences



Audit Differences

Summary of adjusted differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation. Until our audit is fully complete it is possible that further differences may be identified.

At the date of this report, there are no uncorrected misstatements in the accounts.

Our audit identified a limited number of minor misstatements in disclosures which our team have highlighted to management for amendment. These have been corrected during the course of the audit and relate to disclosure and presentational matters in the Annual Accounts and the accounts included within the Annual Report.



05

Other Reporting Issues

Other Reporting Issues

Consistency of other information published with the financial statements

We must give an opinion on the consistency of the financial and non-financial information in the Norfolk County Council Statement of Accounts 2022/23 with the audited financial statements. We have reviewed the draft Norfolk County Council Statement of Accounts 2022/23 and are satisfied that it is consistent with the financial statements. We are currently unable to provide an indicative timeline for the final sign off of the audit and consistency checks, due to the need to agree a timescale for issuing an opinion on the County Council 2022/23 Statement of Accounts. We will, if possible, provide an update on this matter to the Audit Committee on 30 April 2024.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We had no reason to exercise these duties.

Other reporting issues

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Fund's financial reporting process. We had no matters to report.

Other Reporting Issues (cont'd)

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
 - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
 - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit Procedures

We obtained an understanding of the IT processes related to the IT applications of the Fund. The Fund has two relevant IT applications for the purposes of our ISA 315 risk assessment. We performed procedures to determine if there are typical controls missing or control deficiencies identified. After determining which process is applicable to each relevant IT application, we reviewed the applicable processes for each IT application.

When we have identified controls relevant to the audit that are application controls or IT-dependent manual controls where we do not gain assurance substantively, we performed additional procedures.

We reviewed the following processes for the relevant IT applications:

- Manage vendor supplied changes
- Manage security settings
- Manage user access
- Manage entity-programmed changes
- Job scheduling and managing IT process

Audit findings and conclusions

No significant issues were identified in our review of the various processes, including the design and implementation effectiveness of relevant controls around the financial statement close process. We have not tested the operation of any controls through this review.



06

Assessment of Control Environment

Assessment of Control Environment

Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

It is the responsibility of the Pension Fund to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Pension Fund has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



07

Independence

Independence

Relationships

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Fund, and its members and senior management and its affiliates, including all services provided by us and our network to the Fund, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2022 to the date of this report which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table below sets out a summary of the fees that are due to us in relation to the year ended 31 March 2023 in line with the disclosures set out in FRC Ethical Standard and in statute. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

	Current Year 2022/23	Prior Year 2021/22
	Proposed fee £	£
Scale Fee - Code work	29,491	20,866
Changes in work required to address professional and regulatory requirements and scope associated with risk - see Note 1	45,000 - 55,000	50,140
Additional work required for specific additional procedures - see Note 2	TBC	16,778
Additional fee for IAS 19 assurance work on behalf of admitted body auditors - see Note 3	5,000 - 7,000	15,000
Total fees	TBC	TBC

Note 1: We do not believe that the current scale fee reflects the changes in the audit market and increased regulation since the most recent PSAA tender exercise. For 2022/23 the scale fee has been re-assessed by the PSAA to take into account some of the recurring risk factors. This does not fully reflect the true cost of the audit which we will continue to submit through the PSAA, including work in respect of ISA 315. Given the 2021/22 audit has yet to conclude, we have not yet submitted this variation to PSAA Ltd for determination. We will follow the same process for 2022/23.

Note 2: For 2022/23 there are a number of risk factors to the audit such as the implementation of a new finance system (myOracle). We have also determined the fee for additional risks related to our 2021/22 audit which will be subject to determination by PSAA Ltd.

Note 3: We plan to charge an additional fee concerning audit work performed on the triennial valuation, estimated at £5,000 - £7,000. We have not received any IAS 19 assurance requests from admitted body auditors.

Independence (cont'd)

EY Transparency Report 2023

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2023:

[EY UK 2023 Transparency Report | EY UK](#)



08 Appendices

Appendix A - Required communications with the Audit Committee

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - 26 September 2023 - Audit & Governance Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Plan - 26 September 2023 - Audit & Governance Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - 30 April 2024 - Audit & Governance Committee

Appendix A - Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none">▶ Whether the events or conditions constitute a material uncertainty related to going concern▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements▶ The appropriateness of related disclosures in the financial statements	Audit Results Report - 30 April 2024 - Audit & Governance Committee
Misstatements	<ul style="list-style-type: none">▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation▶ The effect of uncorrected misstatements related to prior periods▶ A request that any uncorrected misstatement be corrected▶ Material misstatements corrected by management	Audit Results Report - 30 April 2024 - Audit & Governance Committee

Appendix A - Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit Results Report - 30 April 2024 - Audit & Governance Committee
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - 30 April 2024 - Audit & Governance Committee

Appendix A - Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - 26 September 2023 - Audit & Governance Committee</p> <p>Audit Results Report - 30 April 2024 - Audit & Governance Committee</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit Results Report - 30 April 2024 - Audit & Governance Committee

Appendix A - Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit Results Report - 30 April 2024 - Audit & Governance Committee
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - 30 April 2024 - Audit & Governance Committee
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - 30 April 2024 - Audit & Governance Committee

Appendix A - Required communications with the Audit Committee (cont'd)

Our Reporting to you		
Required communications	What is reported?	When and where
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none">▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - 30 April 2024 - Audit & Governance Committee
Auditors report	<ul style="list-style-type: none">▶ Key audit matters that we will include in our auditor's report▶ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - 30 April 2024 - Audit & Governance Committee

Appendix B – Outstanding matters

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Level 2 Investments testing	Completion of underlying asset testing related to one pooled fund (Janus Henderson). Pending respond from fund manager to support conclusion of testing of 7 sample items.	EY and Management
Journal Entry Testing (Non-Financial Data Points)	Sample testing to verify non-financial data points used within our audit approach. Receipt of supporting evidence for 25 sample items outstanding.	EY and Management
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report.	EY and Management
Management Representation Letter	Receipt of signed management representation letter.	Management
Agreement of Final set of Accounts	Agree all changes made to draft accounts are updated in the final set of accounts.	EY and Management
Final Review Procedures	Final review of areas listed above.	EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures remain to be finalised and audited. A draft of the current opinion (with outstanding areas highlighted) is included in Section 03.

Appendix C – Management representation letter

Management representation letter

[Date]

Ernst & Young

[Address]

This letter of representations is provided in connection with your audit of the financial statements of *Norfolk Pension Fund* ("the Fund") for the year ended 31 March 2023. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial transactions of the Fund during the period from 1 April 2022 to 31 March 2023 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2023, other than liabilities to pay pensions and benefits after the end of the period, have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

We understand that the purpose of your audit of the Fund's financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.
2. We confirm that the Fund is a Registered Pension Scheme. We are not aware of any reason why the tax status of the scheme should change.

3. We acknowledge, as members of management of the Fund, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position and the financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, and are free of material misstatements, including omissions. We have approved the financial statements.
4. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Fund, we believe that the Fund has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

B. Non-compliance with laws and regulations including fraud

1. We acknowledge that we are responsible for determining that the Fund's activities are conducted in accordance with laws and regulations and that we are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have not made any reports to The Pensions Regulator, nor are we aware of any such reports having been made by any of our advisors.

Appendix C – Management representation letter (cont'd)

Management representation letter

5. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of noncompliance with any legal duty.

6. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Fund (regardless of the source or form and including without limitation, any allegations by “whistleblowers”), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the Fund’s financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Fund, its ability to continue, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters.
- Additional information that you have requested from us for the purpose of the audit..

- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. You have been informed of all changes to the Fund rules.

3. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

4. We have made available to you all minutes of the meetings of members of the management of the Fund and committees of members of the management of the Fund held through the period to the most recent meeting on the following date [date].

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Fund’s related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

6. We confirm the completeness of information provided regarding annuities held in the name of the members of the management of the Fund.

7. We have disclosed to you, and the Fund has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

8. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

Appendix C – Management representation letter (cont'd)

Management representation letter

9. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

10. From the date of our last management representation letter, 19 February 2024, through to the date of this letter we have disclosed to you any unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that we have given to third parties.

Going Concern

1. Note 2 to the financial statements discloses all the matters of which we are aware that are relevant to the Company's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. There have been no events including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Annual Report and Accounts for 2021/22
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Independence

1. We confirm that, under section 27 of the Pensions Act 1995, no members of the management of the Fund of the Scheme is connected with, or is an associate of, Ernst & Young LLP which would render Ernst & Young LLP ineligible to act as auditor to the Scheme.

Appendix C – Management representation letter (cont'd)

Management representation letter

Derivative Financial Instruments

1. We confirm that all investments in derivative financial instruments have been made after due consideration by the members of the management of the Fund of the limitations in their use imposed by The LGPS Management and Investment of Funds Regulations 2016. The Fund's Investment Strategy Statement has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the members of the management of the Fund at the Fund's year end and the terms and conditions relating thereto.
2. Management has duly considered and deemed as appropriate the assumptions and methodologies used in the valuation of 'over the counter' derivative financial instruments which the Fund is holding, and these have been communicated to you.

J. Pooling investments, including the use of collective investment vehicles and shared services

1. We confirm that all investments in pooling arrangements, including the use of collective investment vehicles and shared services, meet the criteria set out in the November 2015 investment reform and criteria guidance and that the requirements of the LGPS Management and Investment of Funds Regulations 2016 in respect of these investments has been followed.

K. Actuarial valuation

1. The latest report of the actuary Hymans Robertson as at 31 March 2022 and dated 30 March 2023 has been provided to you. To the best of our knowledge and belief we confirm that the information supplied by us to the actuary was true and that no significant information was omitted which may have a bearing on his report.

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we have engaged to value unquoted investments which include illiquid debt, infrastructure, timberlands and private equity investments and IAS26 actuarial valuation disclosures and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

Valuation of Investments

1. We confirm that the significant judgments made in making the valuation of investments have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of investments.
3. We confirm that the significant assumptions used in making the valuation of investments appropriately reflect our intent and ability to carry out *the functions of the Pension Fund* on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

Appendix C – Management representation letter (cont'd)

Management representation letter

5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of investments.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements , including due to the COVID-19 pandemic.

Actuarial Present Value of Promised Retirement Benefits Estimate

1. We confirm that the significant judgements made in making the actuarial present value of promised retirement benefit estimate have taken into account all relevant information and the effects of the COVID-19 pandemic of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the actuarial present value of promised retirement benefit estimate.
3. We confirm that the significant assumptions used in making the actuarial present value of promised retirement benefits estimate appropriately reflect our intent and ability to carry out the specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, including those describing estimation uncertainty and the effects of the COVID-19 pandemic, are complete and are reasonable in the context of CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.
5. We confirm that appropriate specialised skills or expertise has been applied in making the actuarial present value of promised retirement benefit estimate.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements, including due to the COVID-19 pandemic.

Yours faithfully,

(Director of Strategic Finance)

(Chair)

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ED None

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Norfolk Pension Fund

Audit Planning Report

Year Ended 31 March 2024

27 March 2024



27 March 2024



Audit & Governance Committee / Pension Fund Committee Members
Norfolk County Council
County Hall
Martineau Lane
Norfolk
NR1 2DH

Dear Audit & Governance Committee / Pension Fund Committee Members,

Norfolk Pension Fund Audit Planning Report

We are pleased to attach our Audit Planning Report for the forthcoming meeting of the Audit & Governance Committee. The purpose of this report is provide the Audit & Governance Committee with a basis to review our proposed audit approach and scope for the 2023/24 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key issues which drive the development of an effective audit for Norfolk Pension Fund. We have aligned our audit approach and scope with these.

This report is intended solely for the information and use of the Audit & Governance Committee, Pension Fund Committee and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 30 April 2024 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

David Riglar
For and on behalf of Ernst & Young LLP
Enc

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Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



01

Overview of our 2023/24 audit strategy

Overview of our 2023/24 audit strategy

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

Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>
Valuation of Complex Investments (Unquoted Investments)	Significant risk	No change in risk or focus	<p>The Fund's Investments includes a significant balance of level 3 investments such as unquoted pooled investment vehicles, property and private equity. The Pension Fund held Level 3 assets valued at £1,610 million as at 31 March 2023 per the draft 2022/23 accounts. Judgements are taken by Investment Managers to value those investments whose prices are not publicly available.</p> <p>There is a risk that these are materially misstated given the complexity of the measurement and degree of estimation involved.</p>
IAS26 Disclosure - Actuarial Present Value of Promised Retirement Benefits	Inherent risk	No change in risk or focus	<p>Every three years, a formal valuation of the whole Fund is carried out under the Local Government Pension Scheme Regulations 2013 to assess and examine the ongoing financial position of the Fund. The last fund valuation was 31 March 2022 as the fund's liability was recalculated by the actuary and was used to set employer contribution rates and underpin investment management strategy.</p> <p>IAS26 requires post-employment benefits plans to disclose annually the basis used to determine the actuarial present value of promised retirement benefits, including demographic and financial key assumptions.</p> <p>The estimate is based on a roll-forward of data from the previous triennial valuation in 2022, updated where necessary, and takes into account various factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the fund.</p> <p>We consider there is a risk around the estimation process, data used and assumptions used by the actuary when valuating the fund which is reflected in the IAS26 disclosures.</p>

Overview of our 2023/24 audit strategy

Materiality

Planning materiality

£50.0m

Materiality has been set at £50 million (£49 million in the prior year), which represents 1% of the net assets of the scheme as at 31/12/2023. This is the same % we applied in the prior year.

The Pension Fund is a major local authority based on its size and as such, we have determined that planning materiality of 1% is an appropriate level.

Performance materiality

£37.5m

Performance materiality has been set at £37.5 million (£36.75 million in the prior year), which represents 75% of planning materiality.

This is the upper end of our range based on the low level of errors identified in previous years and is consistent with the level we applied in the prior year.

Audit differences

£2.5m

We will report all uncorrected misstatements relating to the primary statements (Net Assets Statement and Pension Fund Account) greater than £2.5 million (£2.45 million in the prior year).

Other misstatements identified will be communicated to the extent that they merit the attention of the Audit & Governance Committee.



Overview of our 2023/24 audit strategy

Audit scope

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

- ▶ Our audit opinion on whether the financial statements of Norfolk Pension Fund (the Pension Fund) give a true and fair view of the financial transactions during the year ended 31 March 2024 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2024; and
- ▶ Our opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Norfolk County Council.

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

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

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

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

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". Therefore, to the extent any of these or any other risks are relevant in the context of Norfolk Pension Fund's audit, we will discuss these with management as to the impact on the scale fee.



Overview of our 2023/24 audit strategy

Audit scope

Effects of climate-related matters on financial statements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Effect of ISA (UK) 315

The Financial Reporting Council (FRC) has published revisions to International Standards on Auditing (UK) 315, *Identifying and Assessing the Risks of Material Misstatement*. The standard is effective for audits of financial statements for periods ending on or after 15 December 2021. Therefore, the standard was effective from the 2022/23 audit of Norfolk Pension Fund.

The revisions have a significant impact on our scope and approach, requiring auditors to:

- ▶ Enhance the audit risk assessment process;
- ▶ Better focus responses to identified risks; and
- ▶ Evaluate the impact of technology on key processes supporting the production of the financial statements, particularly where a fully or partially substantive audit approach has been taken previously.

For the audit of the Pension Fund, we have historically taken a fully substantive approach. We adopted this approach because it was more efficient to perform a greater extent of substantive testing rather than relying on controls. The revisions to ISA 315 recognise the criticality of technology to the processing of transactions, and now require us, as auditor, to identify and evaluate the design and implementation of IT general controls, including for processes where we have not sought to place IT-reliance in past audits.

Whilst we will review these related controls, we intend to take a fully substantive audit approach for the 2023/24 audit.



Overview of our 2023/24 audit strategy

Audit scope

Effect of ISA (UK) 240

In May 2021, the FRC issued the revised ISA (UK) 240 (The Auditor's Responsibilities Relating to Fraud in the Financial Statements), to clarify the responsibilities of auditors. The standard is effective for audits of financial statements for periods beginning on or after 15 December 2021. Therefore, the standard was effective from the 2022/23 audit of Norfolk Pension Fund.

The revisions have a significant impact on our approach, requiring auditors to:

- ▶ Increase focus on professional scepticism;
- ▶ Remain alert and investigate further if there are conditions that indicate evidence provided to the auditors may not be authentic or has been tampered with;
- ▶ Consider both qualitative and quantitative characteristics of the fraud;
- ▶ Consider if specialist skills are required to perform risk assessment, audit procedures or evaluate evidence obtained; and
- ▶ Increase discussion amongst the audit team including the exchanging of ideas as to how management or others within the entity could perpetrate or conceal fraud.

Management and those charged with governance should expect to see a more interactive approach to risk assessment including additional inquiries of those within the entity who deal with allegations of fraud raised by employees or other parties', discussions over the entities perceived risk of material fraud, and identification of any specific risks to the industry or sector the Pension Fund operates within.

Audit team

David Riglar is the Engagement Partner and Andrew Paylor is the Engagement Manager for the 2023/24 audit. David has over 20 years experience in local government audits and was the Engagement Partner for the 2022/23 audit of Norfolk Pension Fund. Jake Day is taking on the role of Lead Senior on the audit, having also led the 2022/23 audit.

Timeline

We are working with the Pension Fund to deliver the audit ahead of 30 November. In Section 06 we include a provisional timeline for the audit.



02 Audit risks

Our response to significant risks

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

Misstatements due to fraud or error*

What is the risk?

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

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

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

What will we do?

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's industry or sector (those that may arise from economic industry and operating conditions).
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ Undertaking procedures to identify significant unusual transactions.
- ▶ Considering whether management bias was present in the key accounting estimates and judgments in the financial statements.

Our response to significant risks

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

Valuation of Complex Investments (Unquoted Investments)

Financial statement impact

Misstatements that occur in relation to complex investments valued at Level 3 fair value hierarchy such as unquoted equities, property and pooled investment could affect the valuation of the Net Assets.

Total of Level 3 investments held by the Fund at 31 March 2023 was £1,610 million per the 2022/23 draft accounts. This accounts for over 33% of the overall Fund's assets.

What is the risk, and the key judgements and estimates?

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

Judgements are made by the investment fund managers to value these investments, whose prices are not publicly available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error.

Our response: Key areas of challenge and professional judgement

Our approach will focus on:

- ▶ Analysing a schedule of investments to ensure correct classification, presentation and disclosure of items in the financial statements and corresponding notes.
- ▶ Understanding and evaluating of the work of management's experts.
- ▶ Evaluating the ISAE 3402 report for Custodian and Fund Managers where applicable.
- ▶ Reviewing the latest audited accounts for the relevant Fund Managers to ensure there are no matters arising that highlight weaknesses in the funds valuation.
- ▶ Where the latest audited accounts are not as at 31 March 2024, inquiry of what procedures management have performed to take account of this risk, performing analytical procedures and checking the valuation output for reasonableness against our own expectations.
- ▶ Reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used.
- ▶ Reviewing investment valuation disclosures to verify that significant judgements surrounding the valuation of Level 3 Investments have been appropriately made in the financial statements.
- ▶ Performing triangulation work to agree amount per the financial statements to Fund Manager and to Custodian.
- ▶ Testing accounting entries have been correctly processed in the financial statements.
- ▶ Assessing topside adjustments and journal entries for evidence of management bias and evaluate for business rationale.

Other areas of audit focus

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

What is the risk/area of focus, and the key judgements and estimates?

IAS 26 Disclosure - Actuarial Present Value of Promised Retirement Benefits

IAS26 requires post-employment benefits plans to disclose annually the basis used to determine the actuarial present value of promised retirement benefits, including demographic and financial key assumptions.

The estimate is based on a roll-forward of data from the previous triennial valuation in 2022, updated where necessary, and takes into account various factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the fund.

We consider there is a risk around the estimation process, data used and assumptions used by the actuary when valuating the fund which is reflected in the IAS26 disclosures.

Our response: Key areas of challenge and professional judgement

Our approach will focus on:

- ▶ Assessing the competence of management's actuary, Hymans Robertson.
- ▶ Engaging with the NAO's consulting actuary, PwC, and our EY Pensions Advisory Team to review the IAS26 approach and assumptions applied by management's actuary are reasonable and compliant with IAS26.
- ▶ Ensuring that the IAS 26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.

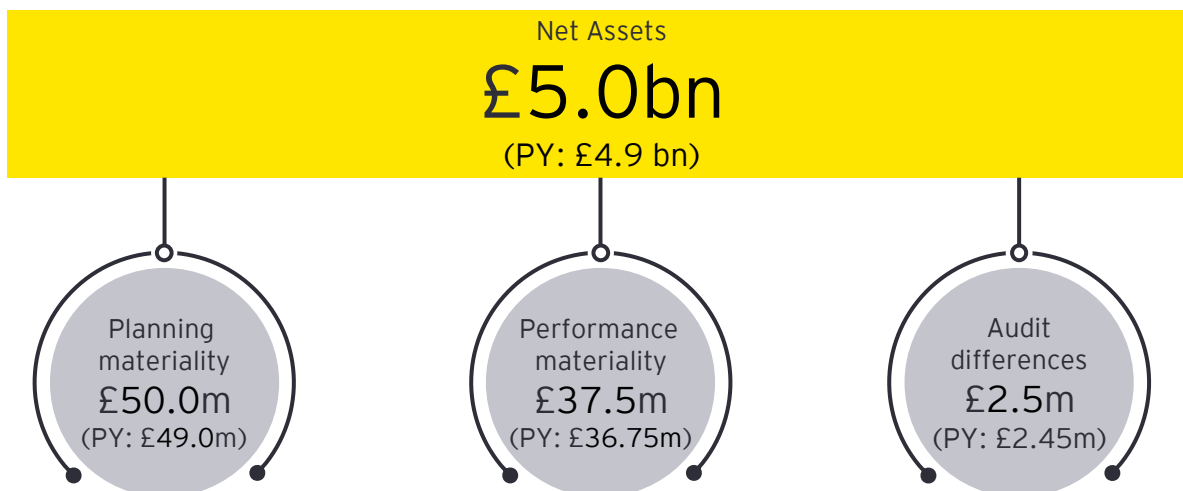


03 Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2023/24 has been set at £50 million. This represents 1% of the Pension Fund's net assets as at 31/12/2023. It will be reassessed throughout the audit process. In an audit of a Pension Fund we consider the net assets to be the appropriate basis for setting the materiality as they represent the best measure of the schemes' ability to meet obligations rising from the pension liabilities. We have provided supplemental information about audit materiality in Appendix D.



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

Key definitions

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

Performance materiality – The amount we use to determine the extent of our audit procedures. We have set performance materiality at £37.5 million which represents 75% of planning materiality. We have considered factors such as the number of errors in the prior year, the adequacy of the control environment, and any significant changes in 2023/24 when determining the percentage of performance materiality.

Audit difference threshold – We propose that misstatements identified below this threshold are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the Fund Account and Net Asset Statement.

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



04 Scope of our audit

Audit process and strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

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

Our opinion on the financial statements:

- ▶ Whether the financial statements give a true and fair view of the Fund Account and Net Asset Statement for the Pension Fund for the period in question, including on the consistency of the Pension Fund financial statements within the Pension Fund Annual Report with the published financial statements of Norfolk County Council; and
- ▶ Whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- ▶ Whether other information published together with the audited financial statements is consistent with the financial statements.

Other procedures required by the Code:

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements.

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

Audit process and strategy

Audit Process Overview

Our audit involves:

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

Our initial assessment of the key processes across the Pension Fund has not identified any processes where we will seek to test key controls, either manual or IT. Our audit strategy will, as in previous years, follow a fully substantive approach. This will involve testing the figures within the financial statements rather than looking to place reliance on the controls within the financial systems. We assess this as the most efficient way of carrying out our work and obtaining the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

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

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

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

Internal Audit:

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



05 Audit team

Use of specialists

Audit team

The engagement team is led by David Riglar (Partner In Charge), who has significant experience on Local Government Pension Fund audits. David is supported by Andrew Paylor (Engagement Manager) and Jake Day (Lead Senior), who are responsible for the day-to-day direction of audit work and are the key points of contact for the finance team.

Our approach to the involvement of specialists, and the use of their work

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

Area	Specialists
Pension Fund Valuation and Disclosures	Hymans Robertson (Norfolk Pension Fund Actuary)
	PwC (Consulting Actuary to the NAO on behalf of audit providers)
	EY Pension Advisory Team
Investment Valuation	The Pension Fund's Custodian and Fund Managers

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

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

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



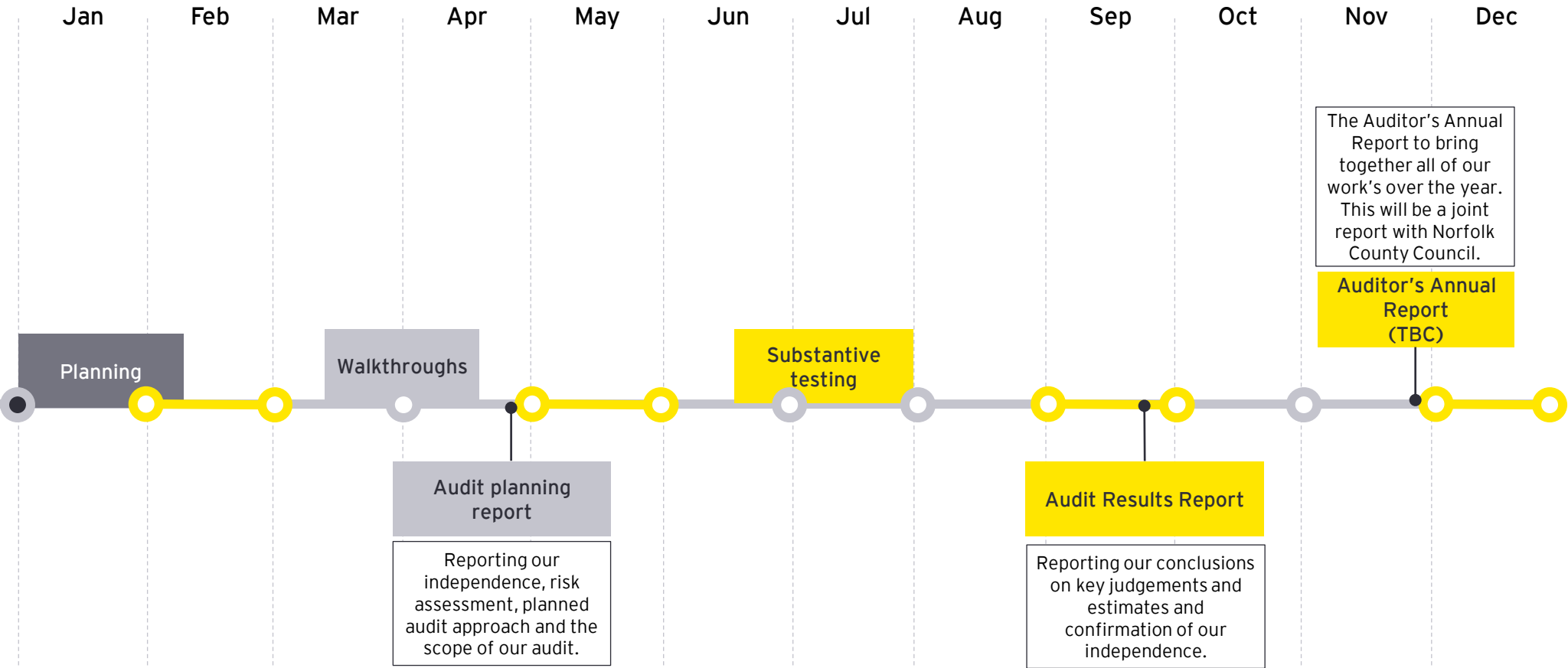
06

Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you throughout the 2023/24 audit cycle. From time to time matters may arise that require immediate communication with the Audit & Governance Committee and we will discuss them with the Audit & Governance Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





07

Independence

Introduction

The FRC Ethical Standard 2019 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us.
- ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review.
- ▶ The overall assessment of threats and safeguards.
- ▶ Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed.
- ▶ Details of any non-audit /additional services provided and the fees charged in relation thereto.
- ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the audit or external experts used have confirmed their independence to us.
- ▶ Details of any non-audit / additional services where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner.
- ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy.
- ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence.
- ▶ An opportunity to discuss auditor independence issues.

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

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

Relationships, services and related threats and safeguards

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

Overall Assessment

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

Self interest threats

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

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

Self review threats

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

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

Management threats

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

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

Other threats

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

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



Other communications

EY Transparency Report 2023

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2023 and can be found here: [EY UK 2023 Transparency Report](#).



08 Appendices

Appendix A – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Fund complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Pension Fund should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- Prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- Ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA / LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes;*
- Assign responsibilities clearly to staff with the appropriate expertise and experience;*
- Provide necessary resources to enable delivery of the plan;*
- Maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- Ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- Ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- During the course of the audit provide responses to auditor queries on a timely basis.*

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.

Appendix B – Fees

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

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA / LASAAC, and the professional standards applicable to auditors' work.

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Pension Fund;
- ▶ The Pension Fund having an effective control environment; and
- ▶ The Pension Fund complies with PSAA's Statement of responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Pension Fund should have regard to paragraph 27 of the Statement of responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements (Appendix A).

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

	Current Year 2023/24	Scale fee 2023/24	Prior Year 2022/23
	£	£	£
Total Fee - Code Work	96,346	96,346	29,491
Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	TBC	-	45,000-55,000
ISA315 Procedures (Note 2)	TBC	-	TBC
Total audit	TBC	96,346	TBC
Additional work required for specific additional procedures (Note 3)	TBC	-	TBC
Additional fee in respect of work on behalf of admitted body auditors (recharges to the Pension Fund) (Note 4)	TBC	-	5,000 - 7,000
Total fees	TBC	TBC	TBC

All fees exclude VAT

(1) We do not believe that the scale fee for 2022/23 fully reflects the true costs of the audit, including changes in the audit market and increases in regulation, which we will continue to submit through the PSAA.

(2) The scale fees for both 2022/23 and 2023/24 do not include the work in respect of ISA (UK) 315 which requires us to consider and understand the IT environment of the Fund.

(3) For 2023/24 there are a number of risk factors to the audit as outlined within this audit plan. The final fee will be subject to determination by PSAA. This is also applicable to the 2022/23 audit which we have not yet concluded.

(4) We plan to charge an additional fee to take into account the work required to respond to IAS19 assurance requests from admitted bodies and their auditors. The Pension Fund can recharge this fee to the relevant admitted bodies. We are confirming this approach with PSAA.

Appendix C – Required communications with the Audit & Governance Committee

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

Our Reporting to you

Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▶ The planned scope and timing of the audit ▶ Any limitations on the planned work to be undertaken ▶ The planned use of internal audit ▶ The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	Audit Planning Report - 30 April 2024 - Audit & Governance Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - September 2024 (Date TBC)

Appendix C – Required communications with the Audit & Governance Committee

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - September 2024 (Date TBC)
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - September 2024 (Date TBC)
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiries of the Audit & Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report - September 2024 (Date TBC)
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit & Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▶ Any other matters related to fraud, relevant to Audit & Governance Committee responsibility 	Audit Results Report - September 2024 (Date TBC)

Appendix C – Required communications with the Audit & Governance Committee

Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - September 2024 (Date TBC)
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p> <p>Communication of relevant information to those charged with governance, to enable them to provide concurrence on the non-audit services being provided.</p>	<p>Audit Planning Report - 30 April 2024 - Audit & Governance Committee</p> <p>Audit Results Report - September 2024 (Date TBC)</p>

Appendix C – Required communications with the Audit & Governance Committee

Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	Management's refusal for us to request confirmations Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report - September 2024 (Date TBC)
Consideration of laws and regulations	Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur Enquiry of the Audit & Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit & Governance Committee may be aware of	Audit Results Report - September 2024 (Date TBC)
Internal controls	Significant deficiencies in internal controls identified during the audit	Audit Results Report - September 2024 (Date TBC)
Representations	Written representations we are requesting from management and / or those charged with governance	Audit Results Report - September 2024 (Date TBC)
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Results Report - September 2024 (Date TBC)
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - September 2024 (Date TBC)
Auditors report	Key audit matters that we will include in our auditors report Any circumstances identified that affect the form and content of our auditors report	Audit Results Report - September 2024 (Date TBC)

Appendix D – Additional audit information

Regulatory update

Our objective is to form an opinion on the Fund's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with International Financial Reporting Standards as adopted by the UK, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit & Governance Committee. The audit does not relieve management or the Audit & Governance Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in Section 02, we have to perform other procedures as required by auditing, ethical and independence standards, company law and other regulations. We outline the procedures below that we will undertake during the course of our audit:

Our responsibilities required by auditing standards

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

Appendix D – Additional audit information

Other required procedures during the course of the audit

Procedures required by the Audit Code

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

Procedures required by the UK Listing Rules and the Disclosure and Transparency Rules (DTR)

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

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

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

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

Appendix E - Non-Compliance with Laws and Regulations (NOCLAR)

Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations.

Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics](#) (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements.

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

Examples of Non-Compliance with Laws and Regulations (NOCLAR)

Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations

Appendix E - Non-Compliance with Laws and Regulations (NOCLAR)

What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and those charged with governance.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years.



Management response:

Timely communication of the matter to auditors (within a couple of days).

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both.

Scope the investigation, in discussion with the auditors.

Evaluate findings and agree next steps.

Determine effect on financial statements including disclosures.

Prepare a paper, summarising the outcome of the investigation and management's conclusions.

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements.
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups.
- ▶ Engage external specialists where needed.
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor.

Audit response:

Initial assessment of the NOCLAR matter and its potential impact.

Initial consultation with risk team to determine responsive procedures and the involvement of specialists.

Understand and agree the scope of management's investigation with support from specialists as needed.

Evaluate findings and undertake appropriate audit procedures.

Determine audit related impact including accounting and disclosure and audit opinion implications.

Document and consult on the outcome of our procedures.

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators.

EY | Building a better working world

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ED None

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Audit and Governance Committee

Item No: 8

Report Title: Risk Management Quarterly report

Date of Meeting: 30th April 2024

Responsible Cabinet

Member: N/A

Responsible Director: Harvey Bullen, Director of Strategic Finance

Is this a Key Decision? No

Executive Summary

Risk management contributes to achieving corporate objectives, the Council's key priorities and strategy Better Together, For Norfolk, and is a key part of the performance management framework. The responsibility for an adequate corporate risk register rests with the Cabinet, supported by portfolio holders and delivered by the risk owners, reviewers and Organisational Risk Management Lead as part of the risk management framework.

This quarterly report references Norfolk County Council's corporate risk register as it stands in April 2024, using risk data that was presented within the risk management report to Cabinet on 8th April 2024.

This report sets out the key corporate risk management messages, agreed at the April 2024 Cabinet meeting following the review of corporate risks over the fourth quarter of 2023/24. Corporate risks continue to be monitored and treated appropriately in line with the Council's risk management framework and the Full Council-agreed strategy 'Better Together, For Norfolk'.

A summary of significant changes to corporate risks since they were last reported to this Committee has been included in **Appendix A** for information purposes. The latest corporate risk heat map for the corporate risk register is included in **Appendix B** providing a visual summary of corporate risks, and shows the Red, Amber, Green (RAG) status of each risk. Full details of the current corporate risks are included in **Appendix C**, including further explanation on risk scoring.

Recommendations:

To consider and agree the latest:

- a. key messages as per paragraphs 2.1 and 2.2 of this report
- b. key changes to the corporate risk register (**Appendix A**);
- c. corporate risk heat map (**Appendix B**);
- d. corporate risks as at April 2024 (**Appendix C**);
- e. information in this report is sufficient.

1. Background and Purpose

- 1.1 One of the Committee's roles is to consider the effectiveness of the Council's risk management. The purpose of this report is therefore to provide assurance on the effectiveness of risk management and the corporate risk register as a tool for managing the biggest risks that the Council faces, helping the Committee undertake some of its key responsibilities. Risk management contributes to achieving corporate objectives and is a key part of the Council's performance management framework.
- 1.2 The Council's corporate risks were last reported to, and agreed by, Cabinet on 8th April 2024. Departmental risk summaries and full details of departmental red rated risks were also reported to Cabinet. Prior to reporting these risks, they have been reviewed and updated wherever there is additional mitigation progress or additional risk information to report by risk reviewers on behalf of the risk owners.
- 1.3 At its February 2024 meeting the Committee agreed that it would explore in more detail at the next meeting; the Children's Services financial and demand forecasting and the governance of entities owned by Norfolk County Council, such as Norse.

The Chairman has agreed that the Children's Services topic will now be covered at the Committee's July 2024 meeting.

The governance of entities owned by the Council (corporate risk RM013) was considered by Cabinet at its meeting on 8th April 2024. The Norfolk County Council Owned Companies Governance Panel last met on 7th February 2024, with the next meeting on 14th May 2024.

The preparation for the Council's 2023-24 Annual Governance Statement (AGS) includes assurance statements and self-assessment checklists matched to the standards set out in the [LATCo guidance 2023 edition - Local Partnerships](#) toolkit. The Committee will receive the AGS once it has been externally audited. Any areas that may need strengthening will be followed up by internal audit.

2. Proposal

2.1 The key general risk messages are as follows:

- The review and updating of corporate risks has taken place with risk owners and reviewer's input
- The Risk Management Function complies with the Accounts and Audit (England) Regulations 2015 (as amended in 2020) and recognised Public Sector Internal Audit standards
- Further to the Cabinet Member risk management training of August 2023 and the council's three Select Committees in January 2024, the Organisational Risk Management Lead delivered risk management training to Scrutiny Committee on 24th April 2024.

2.2 The key specific corporate risk messages are as follows:

Risk Score Changes

RM030 – Non-realisation of Children's Services Transformation change and expected benefits

The current risk score has been reduced from 15 to 9, with the impact score lowered from 5 to 3.

RM031 – NCC Funded Children's Services Overspend

The current risk score has been lowered from 25 to 15 for the start of the new financial year 2024/25.

RM035 – Adverse impact of significant and abnormal levels of inflationary pressure on revenue and capital budgets

The current risk score has been lowered from 25 to 20, with the current likelihood score lowered from 5 to 4.

Risk Closures

RM002 – Income Streams

This risk has been closed and replaced by **RM042 – Increasing Challenges to Maintaining Financial Resilience**, which is listed below.

RM024 – Great Yarmouth Third River Crossing (3RC)

With the Herring Bridge now fully open, this risk has been closed at corporate level.

New Risks

RM042 – Increasing Challenges to Maintaining Financial Resilience

This new risk replaces **RM002 – Income Streams**.

RM043 - High Needs Block deficit cannot be resolved

This new risk centres upon the High Needs Block deficit.

Further information on the specific risk changes listed above in 2.2 can be found in **Appendices A and C**.

3. Impact of the Proposal

- 3.1 Risk management plays a key role in managing performance and is a requirement in the Accounts and Audit Regulations 2015 (amended 2020). Sound risk management helps ensure that objectives are fulfilled, that resources and assets are protected and used effectively and efficiently. The responsibilities for risk management are set out in the Financial Regulations, which are part of the Council's Constitution.
- 3.2 Details of the proposals above in 2.2. can be viewed in **Appendix A**, offering further rationale and impact of the proposals.

4. Evidence and Reasons for Decision

- 4.1 Not applicable, as no decision is being made.

5. Alternative Options

- 5.1 There are no alternative options identified.

6. Financial Implications

- 6.1 There are financial implications to consider, which are set out within the corporate risks at **Appendix C**. The budget for this financial year 2024-25 was set and agreed by Full Council in February 2024, following consultation and we are now at the very early stages of working towards setting the budget for 2025-26. Mitigations supporting the controlled treatment of the risk of increasing challenges to financial resilience are set out in **RM042 – Increasing Challenges to Maintaining Financial Resilience**, and the corporate risk covering the impact of increased inflation is covered in risk **RM035 - Adverse impact of significant and abnormal levels of inflationary pressure on revenue and capital budgets**.

7. Resource Implications

- 7.1 **Staff:** There are staffing resource implications to consider as part of risk **RM029 - Critical skills required for the organisation to operate effectively.**
- 7.2 **Property:** There is ongoing work to identify and implement opportunities to reduce our carbon footprint throughout our corporate property portfolio.
- 7.3 **IT:** The Council's Digital Services (previously Information Management) team are continuing to closely monitor cyber security threat levels with the current geo-political situation and continue to roll out the technology advances that are helping Members and officers to carry out their duties effectively from home as well as Council offices.

8. Other Implications

- 8.1 **Legal Implications:** There are no specific legal implications to consider within this report.
- 8.2 **Human Rights Implications:** There are no specific human rights implications to consider within this report.
- 8.3 **Equality Impact Assessment (EqIA) (this must be included):** None applicable.
- 8.4 **Data Protection Impact Assessments (DPIA):** None applicable.
- 8.5 **Health and Safety implications (where appropriate):**
There are no specific health and safety implications to consider currently.
- 8.6 **Sustainability implications (where appropriate):** There are no specific sustainability implications to consider within this report other than to note corporate risk **RM036 – Non-delivery of the NCC Environmental Policy** covering the risk of not delivering the key objectives of the NCC environmental policy, which incorporate sustainability.
- 8.7 **Any Other Implications:** There are no other risk implications to consider within this report that are not already addressed.

9. Risk Implications / Assessment

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

10. Select Committee Comments

10.1 There are no recent risk-based comments from the Select Committee meetings to report.

11. Recommendations

Recommendations:

To consider and agree the latest:

- key messages as per paragraphs 2.1 and 2.2 of this report
- key changes to the corporate risk register (**Appendix A**);
- corporate risk heat map (**Appendix B**);
- corporate risks as at April 2024 (**Appendix C**);
- information in this report is sufficient.

12. Background Papers

12.1 The April 2024 Cabinet Risk Management Report (available on the council's reports system CMIS – April 2024 pp. TBC when published)

Officer Contact

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

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E: thomas.osborne@norfolk.gov.uk



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

Key Changes to Corporate Risks

Risk Score Changes

RM030 – Non-realisation of Children’s Services Transformation change and expected benefits

The risk score has been reduced from 15 to 9, with the impact score lowered from 5 to 3. With the introduction of RM043 (below), the High Needs Block risk is addressed specifically there, with RM030 focussing on the remaining transformation change and expected benefits delivery.

RM031 - NCC Funded Children's Services Overspend

The risk score has been lowered from 25 to 15 for the start of the new financial year 2024/25. For 2023/24 the score had been 25, but with moving into a new financial year and reporting risks to April 2024 Cabinet, it was argued that the risk score is now lower to reflect a “possible” (likelihood score of 3) overspend at this stage for 24/25, but not “almost certain” (likelihood of 5) so early on in the financial year. The risk score will be closely monitored throughout 2024/25, in conjunction with financial reporting.

RM035 - Adverse impact of significant and abnormal levels of inflationary pressure on revenue and capital budgets

The current risk score has been lowered from 25 to 20, with the current likelihood score lowered from 5 to 4. With inflation currently lower than previous levels seen earlier in 2023/24, the likelihood of significant and abnormal levels of inflationary pressure on revenue and capital budgets is now lower.

Risk Closures

RM002 – Income Streams

This risk has been closed and replaced by **RM042 – Increasing Challenges to Maintaining Financial Resilience**, which is listed below. Historically, risk RM002 had focussed primarily on the income streams for the Council, with the new risk RM042 broadening in scope to incorporate wider challenges to maintaining financial resilience.

RM024 – Great Yarmouth Third River Crossing (3RC)

With the Herring Bridge now fully open, this risk has been closed at corporate level. Residual risks from the project continue to be monitored and will continue to be treated as appropriate at departmental and project level until full project closure.

New Risks

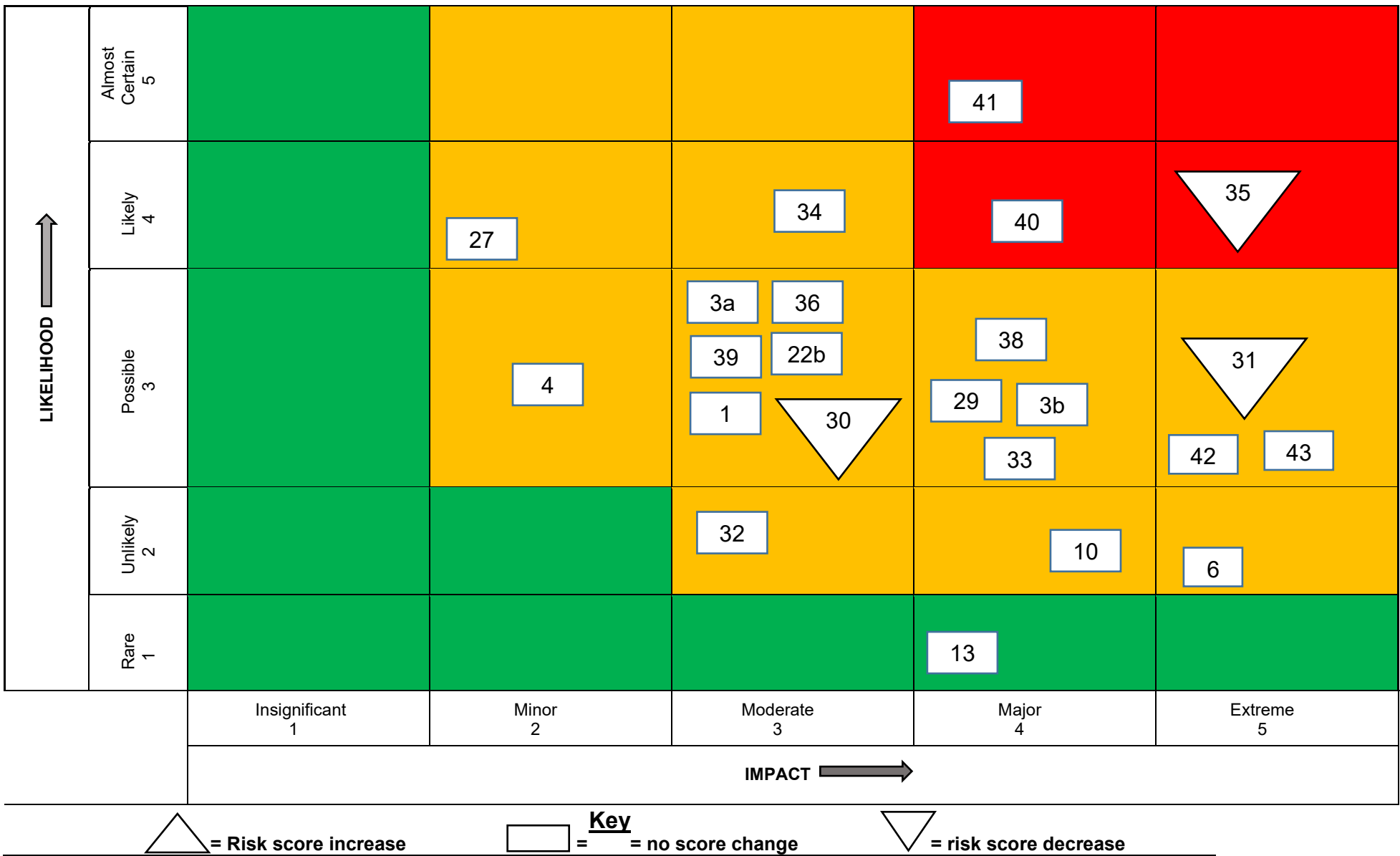
RM042 – Increasing Challenges to Maintaining Financial Resilience

This new risk replaces **RM002 – Income Streams**. As per above, this new risk widens the scope of risk RM002, to look at the wider challenges to maintaining financial resilience driven largely by increasing external demand for our statutory services.

RM043 - High Needs Block deficit cannot be resolved

This new risk centres upon the High Needs Block deficit. Specifically, the risk that the level of need and demand within the Special Educational Needs system remains at such a level that the current financial pressure on the High Needs Block cannot be reduced in line with the 'safety Valve' agreement made with the Department for Education.

Corporate Risks - Heat Map



Each corporate risk is assigned a unique risk number to be able to easily identify it. These can be seen in the heat map above.

Red Rated Risks

Risk Number	Risk Title	Score
RM035	Adverse impact of significant and abnormal levels of inflationary pressure on revenue and capital budgets	20
RM041	Adult Social Services Supplier or Market Failure	20
RM040	ASSD assurance implementation	16

Amber Rated Risks

Risk Number	Risk Title	Score
RM031	NCC Funded Children's Services Overspend	15
RM043	High Needs Block Deficit cannot be resolved	15
RM042	Increasing Challenges to Financial Resilience	15
RM038	Demand to manage statutory responsibilities	12
RM003b	Information and cyber security requirements	12
RM033	Norwich Western Link Project	12

RM034	Supply Chain Interruption	12
RM029	Critical skills required for the organisation to operate effectively	12
RM006	Service Delivery	10
RM030	Non-realisation of Children's Services Transformation change and expected benefits	9
RM001	Infrastructure funding requirements	9
RM003a	Information compliance requirements	9
RM022b	Replacement EU Funding for Economic Growth	9
RM036	Non-delivery of the NCC Environmental Policy	9
RM039	ASSD financial, staffing & market stability impacts due to implementation of social care reform	9
RM010	Loss of key ICT systems	8
RM027	myOracle	8
RM032	Capacity to manage a large or multiple incidents or disruptions to business	6
RM004	Contract management for commissioned services	6

Green Rated Risks

Risk Number	Risk Title	Score
RM013	Governance protocols for entities controlled by the Council	4

Risk Number		RM001				Date of update		14 February 2024		
Risk Name		Infrastructure funding requirements								
Portfolio lead		Cllr. Graham Plant				Risk Owner		Paul Cracknell		
Risk Description					Date entered on risk register			01 October 2022		
There is a risk of not realising infrastructure funding requirements to achieve the infrastructure ambition of the Business Plan. 1) Not securing sufficient funding to deliver all the required infrastructure for existing needs and planned growth leading to: • Congestion, delay and unreliable journey times on the transport network • A lack of the essential facilities that create attractive conditions for business activity and investment, and sustainable communities, including good connectivity, public transport, walking and cycling routes, open space and green infrastructure, and funding for the infrastructure necessary to enable the county council to perform its statutory responsibilities, eg education. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	9	3	3	9	3	2	6	Mar-25	Amber
Tasks to mitigate the risk										
1.1) Work with other county council officers and partners including government, local enterprise partnerships and district councils to compile evidence and the case for investment into infrastructure in order to achieve success through bidding rounds for capital investment. 1.2) Identify and secure funding including Pooled Business Rates (PBR) to develop projects to a point where successful bids can be made for funding through compiling evidence and cases for investment. 1.3) Engage with providers of national infrastructure – National Highways for strategic (trunk) roads and Network Rail for rail delivery – to ensure timely delivery of infrastructure projects, and work with partners on advocacy and lobbying with government to secure future investment into the networks. 1.4) Review Planning Obligations Standards annually to ensure the county council is able to seek and secure the maximum possible contribution from developers. 1.5) Continue to build the relationship with strategic partners including elected representatives, government departments, local enterprise partnerships, regional bodies such as Transport East (the Sub-National Transport Body) and other local authorities to maximise opportunity and work together in the most effective joined-up manner. 1.6) Periodically review timescales for S106, and other, funding contributions to ensure they are spent before the end date and take action as required. Periodic reviews for transport contributions and an annual review process for library and education contributions. 1.7) Manage risk RM033, Norwich Western Link.										
Progress update										

Progress update

1.1) Working with Transport East on strategic ambitions including on current projects and our intentions on developing future programmes. Current focus on pipeline projects for RIS3 trunk road programme: A11 Mildenhall, A120 and A14 Copdock Junction
Met DfT officials 4 July to discuss current and potential future programmes
NWL (See RM033): Outline Business Case (OBC) submitted to DfT for approval at end of June 2021. (Addendum submitted Sept 2022.) Awaiting funding confirmation.
Long Stratton Bypass: OBC approved by government July 2021. Planning applications consented by S Norfolk planning committee 15 March 2023.
West Winch Housing Access Road: OBC being progressed.
A47/A17 Pullover Junction King's Lynn: Draft Strategic Outline Case received from WSP. Has been reviewed and progression to the next stage will now be the subject of member decision-making.
Working with partners: Continuing to work with Transport East, districts and other partners.

1.2) PBR funding secured for various projects including Norwich Western Link, West Winch Housing Access Road and A47/A17 Pullover Junction (see 1.1). County levelling-up bid for King's Lynn successful, drawing in circa £24m for measures at Southgates and the Gyratory system (January 23). Facilitated bids for unspent DLUHC money for transport infrastructure with District Councils October

1.3) Legal challenge claims dismissed in judgement on Development Consent Orders for A47 Blofield to Burlingham, N. Tuddenham to Easton and Thickthorn 7 July
A47 Alliance meeting held 26 June. Advocacy being rolled out.
Responded to consultations on future direction of trunk road programmes on behalf of NCC and A47 Alliance 13 July
Continuing to work with partners on Norwich to London rail, Ely Task Force and East West Rail

Main Line Partnership. Government confirmed commitment to EWR and preferred route alignment between Cambridge and Bedford May 2023. Working with Transport East on Transport East Rail Plan and advice on next trunk road programme (see 1.1)
Harfreys Roundabout completed and Herring Bridge open for use. Continuing to work with National Highways on bringing forward Vauxhall Junction improvement.

1.4) The standards for 2023 were agreed by Cabinet in June and have been applied to NCC responses to planning applications from 5th June 2023. The 2024 Planning Obligations Standards have been presented to Executive Leadership Team 16/1 and Informal Cabinet 23/1 where the request was approved to be added to the forward plan for March Infrastructure & Select Committee. Key updates for this year are a new home to school transport contribution, increased library contribution and enhanced monitoring fee.

1.5) Continuing to work with Transport East: Transport strategy now endorsed by Ministers. Working with TE on additional workstreams initiated following three-year funding settlement from DfT. Liaising and attending various wider partnership groups including with DfT, Network Rail and National Highways on strategic road and rail schemes
Engaging with other authorities on Local Transport Plans

1.6) CCounty Council published 2023 Infrastructure Funding Statement in December 2023. Working with other departments such as Children's Services who collect housing data to develop a SharePoint hub to ensure NCC has as much up to date information to inform the collection of S106 payments. Planning Obligations database will be updated and shared with relevant departments to ensure invoices are raised for S106 payments on time.

1.7) See risk RM033, Norwich Western Link

Risk Number	RM003a					Date of update		27 February 2024		
Risk Name	Information compliance requirements									
Portfolio lead	Cllr.Kay Mason Billig					Risk Owner		Simon Wynn		
Risk Description					Date entered on risk register			01 October 2022		
There is a risk of failing to comply with statutory information compliance requirements (e.g. under GDPR, FOI, EIR) which could lead to reputational damage and financial impact from any fines or compensation sought, and operational inefficiencies within the organisation, and loss of cooperation with external partners (eg. NHS). Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	3	12	3	3	9	2	3	6	Sep-24	Green
Tasks to mitigate the risk										
1. Mandatory Information Governance Training for all colleagues, with ongoing awareness of IG responsibilities for colleagues. 2. Information Governance Group and Steering Group occur bi-monthly 3. Detailed management information in place to monitor performance 4. Two-way relationship with ICO maintained to ensure positive working relationship 5. Focus on resource available / required to ensure consistency of service 6. Ongoing improvements underway to improve IG operational efficiency and effectiveness. 7. Working closely with Digital Services to exploit the technical opportunities as described in RM003b.										
Progress update										
Mandatory training for Information Governance (Data Protection Essentials) has a current completin rate of 95% in June 2023 following targeted communications. Monthly reminders are now being sent by IG until an automated myOracle solution is delivered which is due by end 2023. A workbook remains in place to match the online training for non-IT users. All NCC employees and anyone accessing NCC data receive IG training.										
Information Governance Group and the escalation Steering Group comprising the SIRO, DPO, Dir. Digital Services, Audit and Caldicott Guardians continues to meet, occuring bi-monthly to deliver a strong focus and accountability on information related matters. The Group also provides oversight on a number of key information related projects.										
Management information continues to be monitored to allow actions to be taken on activity within the IG team and resource to be appropriately allocated / requested. Performance remains strong in Freedom of Information Requests and Police disclosures. Subject Access Requests (SARs) has seen significant improvements since a single team was created in August 2022 and has seen a 40% reduction in open cases to date and a significant improvement in response times within statutory timescales. An update was provided to the ICO in November 2023 following the ICO reprimand in May 2023 relating to										

Progress update

SAR response times and the ICO confirmed that they were pleased to see improvements and now consider the matter closed. The team has been fully resourced since August 2023 and there is a plan in place to ensure all SARs responded to in timescale and the backlog is eliminated during 2024. We continue to look for improvements to process where possible including working with Digital Service to deliver technology solutions to improve performance and reduce risk.

Positive relationship with the ICO in relation to data incidents and responses to subject access request complaints which helps demonstrate a good culture towards information in NCC.

In conjunction with Digital Services, the Electronic Storage Programme underway to reduce risk associated with unstructured information held on Fileshares with the first migrations complete. A schedule of migration and resource is in place to move departments over to the new storage, with retention labels being a key addition.

These activities will enhance many of the mitigations to a higher standard, reducing the likelihood of occurrence - the impact should anything happen would likely result in local or national media attention, depending on the severity of the issue.

Risk Number		RM003b				Date of update		15 February 2024		
Risk Name		Information and cyber security requirements								
Portfolio lead		Cllr. Jane James				Risk Owner		Geoff Connell		
Risk Description					Date entered on risk register			01 October 2022		
There is a risk of failure to comply with relevant information and cyber security requirements. This would incorporate Public Sector Network Assurance, NHS Data Security and Protection Toolkit, and Payment Card Industry -Data Security Standards which could lead to operational, financial and reputation impact. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	3	12	3	4	12	1	3	3	Mar-25	Green
Tasks to mitigate the risk										
1. Mandatory Training in place for all colleagues - ongoing. A wider phishing simulation will be delivered in 2023/24.										
2. Development and monitoring for breaches - ongoing										
3. Implementation of improved security measures - ongoing										
4. External networking to ensure best practice - ongoing										
5. Completing required accreditations - To gain PSN accreditation and Cyber Essentials by Q3.										
6. Cyber communications campaign to be rolled out from Q1 of 2023/24.										
Progress update										
- Regular extensive communications to NCC staff on remaining vigilant against cyber-attacks										
- Ongoing monitoring of compliance levels of mandatory training for all colleagues										
- Cyber communications campaign (e.g. lockscreen notifications) delivered										
- Regular involvement with the National Cyber Security Centre										
- Regular simulated phishing exercise delivered for the whole organisation to understand where weaknesses remain and staff directed to training required										
- PSN accreditation will continue while new Government standards are developed. PSN Health Check is complete, remediations identified and being applied and submission being prepared for recertification.										
- Zero Trust design for laptops is 100% deployed										
- NHS DSP Toolkit application for 2023 completed, valid 30 June 2024.										
- Regular security patches applied monthly										
Risk score of 12 at present due to a number of continual threats from the geo-political landscape. The impact should anything happen could result in significant operational and financial impact as well as local or national media attention, depending on the severity of the issue.										

Risk Number	RM004					Date of update		06 February 2024		
Risk Name	Contract management for commissioned services.									
Portfolio lead	Cllr. Andrew Jamieson					Risk Owner		Al Collier		
Risk Description					Date entered on risk register			01 October 2022		
There is a risk of failure to deliver effective and robust contract management for commissioned services. Ineffective contract management leads to wasted expenditure, poor quality, failure to achieve anticipated environmental or social benefits, unanticipated supplier default or contractual or legal disputes, and/or reputational damage to the Council. The council spends some £900m on contracted goods and services each year. Overall risk treatment: Tolerate										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	12	2	3	6	1	3	3	Mar-25	Green
Tasks to mitigate the risk										
<p>1) New governance arrangements: Stand up the Commissioning and Procurement Leadership Group to add senior rigour to contract and category management across ASS, CS and PH. Ensure similar rigour is ensured for other contracts (ie Non-Light Touch Regime/Provider Selection Regime) via working groups and DLTs. Stand up a Commercial Board for escalation and to endorse significant strategies</p> <p>2) New route for procurement pipeline - annual process with additional ad-hoc plans as they arise Approval from new Commercial Board Endorsement from Corporate Board Agreement from Cabinet</p> <p>3) Segment all contracts into Gold/Silver/Bronze according to a defined framework. Also agree where certain categories should be promoted to a higher segment than that for individual contract. Record this on contract register</p> <p>4) Agree minimum contract management requirements for each segment. Ensure these are monitored regularly at departmental DLTs</p> <p>5) Ensure that staff managing contracts participate in relevant contract management training</p> <p>6) Procure and implement a new contract management system to automate the current manual processes, and to provide a single repository of contract information which is accessible to all relevant stakeholders across both procurement and departmental commissioners/contract managers</p> <p>7) Review arrangements between commissioning departments and procurement - escalation, role boundaries, informal vs formal mechanisms</p>										
Progress update										

Progress update

- 1) Governance structure agreed by Tom McCabe. Terms Of Reference, Membership, Meeting Frequency etc in place
- 2) To be agreed and implemented through the Governance groups described in (1) above
- 3) Contract segmentation tool finalised. Exceptions will be agreed by Commercial Board. Individual contract segmentation is recorded on contract register.
- 4) Corporate minimum standards headlines agreed. Next step is to embed across the organisation - this will be a big piece of work crossing all departments
- 5) Contract Management Pioneer Programme available for 10 free places in early 2023. NCC has been accepted onto the programme and delegates are part way through the programme with some due to finish in the next couple of months. Once complete (or maybe sooner) we will consider whether additional staff would benefit from the programme - we would need to pay for further places. Commercial Board has agreed that contract managers will complete the Foundation level of the GCC Contract Management Training
- 6) Commercial Board has agreed to implement the contract management module of In-tend: the system we already use for e-tendering. Project Plan under development. Implementation work to start early December 2023. The first stage will be to transfer our contract and grant register onto the new system, together with formal contractual documentation.
- 7) Detailed RACI conversations at CPLG have built a basis for process mapping. Process mapping work has begun, focussing on mapping required for CCIAF.

Risk Number		RM006		Date of update		20 February 2024				
Risk Name		Service Delivery								
Portfolio lead		Cllr. Kay Mason Billig		Risk Owner		Tom McCabe				
Risk Description				Date entered on risk register		01 October 2022				
There is a potential risk of failure to deliver our services within the resources available for the period 2023/24 to the end of 2024/25. The failure to deliver agreed savings or to deliver our services within the resources available, factoring in causation such as rising inflation, resulting in the risk of legal challenge and overspends, requiring the need for in year spending decisions during the life of the plan, to the detriment of local communities and vulnerable service users. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	10	2	5	10	1	5	5	Mar-25	Green
Tasks to mitigate the risk										
<p>'1) Clear robust framework, ' Better Together, for Norfolk - Business Plan' in place which drives the delivery of the overall vision and priority outcomes. The delivery of a council-wide strategy which seeks to shift focus to early help and prevention, and to managing demand.</p> <p>2) Delivery against the strategic service and financial planning, by translating the vision and priorities into achieved, delivered targets.</p> <p>3) A robust annual process to provide evidence for Members to make decisions about spending priorities.</p> <p>4) Regular and robust in-year financial monitoring to track delivery of savings and manage in-year pressures.</p> <p>5) Sound engagement and consultation with stakeholders and the public around service delivery.</p> <p>6) A performance management and risk system which ensures resources are used to best effect, and that the Council delivers against its objectives and targets.</p>										
Progress update										
<p>Regular budget and performance monitoring reports to Cabinet demonstrated how the Council has delivered against the budgets and priorities set for each of our services, with a balanced outturn position for the year being achieved.</p> <p>The Council has a robust and established process, including regular reporting to Members, which is closely linked to the wider Council Strategy, in order to support the development of future year budget plans taking account of the latest available information about government funding levels and other pressures. This process includes reviewing service budgets and taking into account financial performance and issues arising in the current financial year as detailed in the budget monitoring reports. There is financial monitoring of in-year cost, with monitoring of 2023/24 spend being reported to Cabinet on a monthly basis. Midway through the year, the forecast outturn for 2023-24 currently identifies the risk of a small overspend; work is underway to seek to mitigate this and deliver a balanced outturn position. The impact of the 2023-24 monitoring position has been taken into account in the preparation of the 2024-25 Budget. There has been an updated MTFs position reported to Cabinet within the year, and there was a budget setting meeting of Full Council in February 2024, and monthly monitoring reports will be taken to Cabinet in 2024/25.</p>										

Risk Number	RM010					Date of update		15 February 2024		
Risk Name	Loss of key ICT systems									
Portfolio lead	Cllr. Jane James					Risk Owner		Geoff Connell		
Risk Description					Date entered on risk register			01 October 2022		
<p>The risk of the loss of key ICT systems including: - Network connectivity; - Telephony; - Microsoft Office & all business systems. Loss of core / key ICT systems, communications or utilities for a significant period - as a result of a cyber attack, loss of power, physical failure, fire or flood,or supplier failure - would result in a failure to deliver IT based services leading to disruption to critical service delivery, a loss of reputation, and additional costs. Ransomware is currently the highest risk cyber security threat. While every effort is made to avoid such a security breach, it is also important to ensure we are able to recover as quickly as possible if we became infected. Overall risk treatment: Treat.</p>										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	9	2	4	8	1	3	3	Mar-25	Green
Tasks to mitigate the risk										
<p>Implement Cloud-based business systems with resilient links for key areas</p> <p>Review and Implement suitable arrangements to protect against possible cyber / ransomware attacks including;</p> <p>Running a number of Cyber Attack exercises with senior stakeholders to reduce the risk of taking the wrong action in the event of a cyber attack</p> <p>We will hold a number of Business Continuity exercises to understand and reduce the impact of risk scenarios</p> <p>WFH has changed the critical points of infrastructure. Access to cloud services like O365 without reliance on County Hall data centres is critical to ensure service continuity.</p> <p>Keep all software security patched and up to date and supported. Actively and regularly review all software in use at NCC and retire all out of date software that presents a risk to keeping accredited to these standards.</p> <p>Continue to closely monitor security processes.</p> <p>Monitor and further understand cyber risks associated with Artificial Intelligence (AI).</p>										
Progress update										

Progress update

Ransomware remains the highest cyber security threat.

While every effort is made to avoid such a security risk by following best practice, it is also important to ensure we are able to recover as quickly as possible if we do become infected.

Cyber / Ransomware

We purchased and implemented a Microsoft Office 365 backup solution which has been implemented to ensure we can recover data in the event that our Microsoft Tenant is encrypted with ransomware.

We have retained our old storage, isolated it and switched it off so we have a point in time offline backup copy of our most critical data that we use onsite.

Regular activities to protect us

We have completed another Phishing simulation across all of Norfolk County Council to reduce the risk of people being tricked into clicking on a link.

We quarterly scan our environment for vulnerabilities and when identified patch them

We operate a monthly patch night to apply updates to servers and software as patches are released which has been completed each month this year

Future Network

We are now 90% of the way through implementing our new network which will reduce the complexity, improve security and remove complexity.

"Zero Trust" laptop design is 100% rolled out, removing reliance on County Hall infrastructure for all cloud services including Oracle and Office 365, enabling staff to work from anywhere and access cloud services even if County Hall data centres become unavailable.

Guidance

Procurement guidance (Cloud Principles) for purchasing cloud based services has been reviewed including cloud security has been refreshed

Monitoring and Improvement

We have moved our Domain Service (.gov.uk) to Jisc the UK digital, data and technology agency and moved all other domains to GoDaddy the world's fifth largest web host to help us protect against Denial of Service Attacks.

We have reviewed and updated our senior manager protection tool which monitors and intercepts spoof emails from people pretending to be part of our senior team.

Risk Number				Date of update		20 February 2024				
Risk Name		Governance protocols for entities controlled by the Council.								
Portfolio lead		Cllr. Kay Mason Billig		Risk Owner		Harvey Bullen				
Risk Description				Date entered on risk register		01 October 2022				
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. This incorporates the risk of failure of entities controlled by the Council to follow the new Local Authority Company Review Guidance 2023. This sets out the standards that we as a Local Authority need to adhere to. The failure of governance leading to controlled entities: Non Compliance with relevant laws (Companies, subsidy control procurement, environmental or other) Incurring Significant Losses or losing asset value Taking reputational damage from service failures Being mis-aligned with the goals of the Council The financial implications are described in the Council's latest Annual Statement of Accounts. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
1	4	4	1	4	4	1	4	4	Mar-25	Met
Tasks to mitigate the risk										
1) 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 need to be recorded on the Group's risk register. 2) The shareholder committee should meet quarterly and monitor the performance of Norse. A member of the shareholder board, the shareholder representative, should also attend the Norse board. 3) The Council holds control of the Group of Companies by way of its shareholding, restrictions in the Norse articles of association and the voting rights of the Directors. The mission, vision and value statements of the individual Norse companies should be reviewed regularly and included in the annual business plan approved by the Board. Norse should have its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines the controls that the Council exercises over Norse and the actions which require prior approval of the Council. 4) To ensure that governance procedures are being discharged appropriately to Independence Matters. The Director of Strategic Finance's representative attends as shareholder representative for Independence Matters. 5) Shareholder representation required from the Director of Strategic Finance on both the Norse, and Repton Boards. 6) Understanding and implementing the Local Authority Company Review Guidance 2023 by actively seeking assurance that entities under the control of Norfolk County Council are compliant with this.										
Progress update										

Progress update

- 1) There are regular Board meetings, share holder meetings and reporting as required. For NORSE, risks are recorded on the Norse group risk register.
- 2) The Norse Group follows the guidance issued by the Institute of Directors for Unlisted Companies where appropriate for a wholly owned LA company. The Norfolk County Council Owned Companies Governance Panel meet quarterly and consider all the Council's corporate entities. This panel has a work programme.
- 3) The Council has reviewed its framework of controls to ensure it is meeting its Teckal requirements in terms of governance and control. The Director of Strategic Finance is responsible for reviewing the ongoing viability of wholly owned entities and regularly reporting the performance of their activities, with a view to ensuring that the County Council's interests are being protected.
All County Council subsidiary limited company Directors have been approved in accordance with the Constitution.
- 4) The Director of Strategic Finance directs external governance.
- 5) There is Shareholder representation from the Director of Strategic Finance on both the Norse, and Repton Boards.
- 6) We continue to work towards achieving the standards set out in the Local Authority Company Review Guidance 2023 by seeking the required levels of governance assurance from the entities under our overall control.

Risk Number	RM022b					Date of update		08 February 2024		
Risk Name	Replacement EU Funding for Economic Growth									
Portfolio lead	Cllr. Fabian Eagle					Risk Owner		Paul Cracknell		
Risk Description					Date entered on risk register			01 October 2022		
There are two parts to this risk as follows; a) external funding and b) Norfolk businesses a) Risk RM14429 covers the closedown of the France (Channel) England INTERREG programme, managed by NCC. In terms of future external funding, we need to make a compelling case to Government for investment in Norfolk from the UK Shared Prosperity Fund (UKSPF), which replaces EU funding. There is a risk of limited opportunity for future skills funding from the UKSPF that NCC needs to be able to achieve the objectives of the Norfolk Investment Framework. b) We need to understand the implications for Norfolk businesses of the Territorial Cooperation Agreement and work with partners to support Norfolk businesses to trade. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	9	2	3	6	2	1	2	Mar-25	Amber
Tasks to mitigate the risk										
a) Development of Norfolk Investment Framework to target the UK Shared Prosperity Fund (replacement for EU funding).										
b) Focussed support for business, in conjunction with LEP and Chamber of Commerce.										
Progress update										

Progress update

a) The Levelling Up White Paper indicates that in the short-term SPF and LU funds will be delivered through Districts. Should a County Deal be agreed, this may change. There is a need to develop a County Deal in order to gain strategic control over key functions and funds, but also to work with districts to maximise strategic use of SPF.

Feedback from Stakeholders confirms the need for a NIF. Approach endorsed by the Steering Committee (including Town Deal Board Chairs/Local Authorities/Business Reps/University & Research Institutes and Private Sector).

The NIF will identify funding options for delivery from a range of options including SPF and LUF, other national funding pots as well as private sector investment. The NIF has now been developed for delivery themes, that consist of skills, public sector services, business development and climate change.

b) There is growth in the economy, but rising inflation and rise of 'cost of goods' and energy pose a risk/ added pressure on businesses at present.

Business advice provided by the LEP's Growth Hub, Norfolk Chamber and Federation of Small Business. While these bodies can provide advice, the challenge for businesses is to invest more resource in producing the paperwork that is now required for the import/export of goods, and still generate a profit. Government has introduced measures to help secure more HGV drivers (to replace those lost due to both Brexit and the pandemic) and increase the number of seasonal agricultural workers who can work in the UK.

01/11/2023 With the change in Govt Policy, requiring LEPs to be brought into Local Authorities, we will have the responsibility and funding to deliver business support, growth and inward investment. We are working with Suffolk CC and the LEP Board to transition the work of the LEP into the 2 councils and where joint delivery is preferably, agree MOUs for the service. The County Deal is on the agenda for the Cabinet in December 2023 and as such funding linked to this i.e SPF, Rural grants as well as the potential linked to this i.e SPF, rural grants as well as the potential of a 20m per year investment fund will be decided at this point in time.

Growth & Investment are developing a strategy in horizon scanning for funding sources, not just for G&I but wider within NCC. Identified opportunities will be disseminated to the relevant directorate.

08/02/2024 The Council has voted to progress the Devolution deal with a further vote In July 24 that would amend the NCC constitution to have a directly elected leader (DEL). If the July 24 vote approves devolution with a DEL, NCC will be responsible for a £20m per annum investment fund as well as Shared Prosperity Fund and Rural Grants Programme which when combined will give NCC control over a further £10m per annum income. A Norfolk Economic Strategy is being with external support and with direct collaboration with teh Districts. The Norfolk strategy will be the evidence base for the framework of future funding at County and District Levels. The Investment Fund detail is being developed in parallel with the economic strategy to ensure investments are aligned to the strategy. An Assurance framework for the fund has been developed and will continue to be fine-tuned in alignment to the economic strategy, the investment fund criteria, the NCC constitution following devolution.

Due to Government Policy, Local Enterprise Partnerships are being integrated into Local Authorities by 31st March 2024. This mitigates some of the loss of EU funding as income will be generated from other sources. NCC alongside Suffolk CC and the LEP are in discussions with the logistics of the integration of staff, projects, programmes, assets, websites, ICT etc. Nplaw and HR are involved and those LEP staff coming to NCC have had a visit to County Hall and transition arrangement discussions will continue.

Risk Number	RM027					Date of update		27 February 2024		
Risk Name	myOracle									
Portfolio lead	Cllr. Jane James					Risk Owner		Geoff Connell		
Risk Description					Date entered on risk register			01 October 2022		
There is a risk of failure of the new Human Resources and Finance system whereby key operational processes don't deliver the required outcomes for the organisation and its' traded services customers. Cause: System build, incomplete process for implementation, inadequate training for self service and HR professional functionality. Event: Operational processes not delivering to the processes required. Effect: Not achieving the full value of the myOracle system. Potential reduced employee satisfaction. New employees not being onboarded quickly enough. Not fully delivering the myOracle and HR review savings. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	4	8	4	2	8	2	2	4	Jul-25	Amber
Tasks to mitigate the risk										
<p>1) Strong HR subject expert engagement in the system configuration to ensure that myOracle meets the needs of the organisation.</p> <p>2) Ensure that plans / workarounds are in place to mitigate any residual risks from any issues arising.</p> <p>3) Ensure that we have the resource in place to be able to deal with any issues as they arise.</p> <p>4) Increased cadence of senior stakeholder engagement to address any issues arising within operational areas.</p> <p>5) Extend manager helpline until beyond April 2024.</p> <p>MyOracle reporting (analytics) is emerging as a specific risk given the high level of demand and the limited system capability combined with the specialist skill sets required to maintain an effective work-around. Tasks to mitigate include:</p> <ul style="list-style-type: none">•Upskilling of I&A staff and leverage commons skills (eg: Business Analysts) to manage delivery•Reconsideration/re-scoping of contract support.•Re-assess prioritisation of demand – improved requirements management.										
Progress update										

Progress update

- 1) The implementation of MyOracle is live (as of 13th April 2022) and any issues arising are being managed as a BAU exercise and myOracle multi-disciplinary improvement programme post mobilisation to address functional gaps.
- 2) Support team and business teams focused on the identified system and process fixes required and plans/workarounds in place to mitigate those risks - some of the more complex issues have taken longer than predicted to resolve, affecting technology exploitation
- 3) Team in place to rectify issues as they are reported and governance in place to manage business and supplier escalations as required
- 4) Completed procurement and on-boarding of Namos as 3rd party support partner call-off contract to add capacity and aid with specialist more complex areas.
- 5) Budget agreed and staffed for helpline. Moved to support model from 1st July 2023.

Integration has been finalised.

Reconsideration/re-scoping of contract support is underway.

The re-assessing of the prioritisation of demand – improved requirements management is underway.

SFTP “secure file transfer protocol” server located in County Hall Data Centre handles payment information from Highways system and LiquidLogic social care system into MyOracle.

Risk of failure of that server or County Hall Data Centre infrastructure would interrupt transfer of payment information into MyOracle. Most significant impact would be delay of Foster Carer payments. Mitigation is that County Hall Data Centre services including the SFTP server are replicated to the Disaster Recovery site, which can be commissioned in under 4 hours of a disaster being declared. Manual process is also possible to extract required information from LiquidLogic for direct upload into MyOracle.

Risk Number		RM029		Date of update		12 February 2024				
Risk Name		Critical skills required for the organisation to operate effectively								
Portfolio lead		Cllr. Kay Mason Billig		Risk Owner		Derryth Wright				
Risk Description				Date entered on risk register		01 October 2022				
<p>There is a risk that a range of critical new/future skills are not available within NCC in the medium to longer term. The lack of these skills will create problems for, or reduce the effectiveness of service delivery. An inability or failure to consider/identify these until they are needed will not allow sufficient time to develop or recruit these skills. This is exacerbated by: 1.The demographics of the workforce (ageing) 2.The need for changing skills and behaviours in order to implement new ways of working including specialist professional and technical skills (in particular IT, engineering, change & transformation; analytical; professional best practice etc) associated with the introduction or requirement to undertake new activities and operate or use new technology or systems - the lack of which reduces the effective operation of NCC . 3.NCC's new delivery model, including greater reliance on other employers/sectors to deliver services on our behalf 4.Significant changes in social trends and attitudes, such as the use of new technology and attitudes to the public sector, which may impact upon our 'employer brand' and therefore recruitment and retention 5.Skills shortages in key areas including social work and teaching 6.Improvements to the UK and local economy which may impact upon the Council's ability to recruit and retain staff. 7.Government policy (for example exit payment proposals) and changes to the Council's redundancy compensation policy, which could impact upon retention, particularly of those at more senior levels and/or older workers. 8. Improvements in T&C in other sectors making the NCC employment deal less attractive/providing fewer points of difference e.g. more flexibility of work in other industries, greater gap on pay Overall risk treatment: Treat</p>										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	15	3	4	12	2	4	8	Mar-26	Green
Tasks to mitigate the risk										
<p>*Identification of what new critical skills are required in services – using workforce planning process and toolkit. As each directorate makes their changes to make savings / manage demand.</p> <p>*Identification of pathways to enable employees to learn, develop and qualify into shortage areas – As each directorate makes their changes to make savings / manage demand</p> <p>*Creation of career families and professional communities, providing visible and clear career paths for colleagues.</p> <p>*Embedding a strengths based approach to performance management e.g. Recruit for strengths not just qualifications and skills and experience - supported by career families activity which will harmonise job descriptions</p> <p>*Explore further integration with other organisations to fill the gaps in our workforce</p> <p>*Develop talent pipelines working with schools, colleges and universities</p> <p>*Undertake market rate exercises as appropriate and review the reward package to support attraction and retention</p> <p>*Develop the use of apprenticeships and early career schemes; this will help grow talent and act as a retention tool</p> <p>*Work with 14 – 19 providers and Higher Education providers to ensure that the GCSE, A level and Degree subjects meets the needs of future workforce requirements</p> <p>*Implementation of new workforce strategy that will lead to improved workforce planning</p> <p>*develop our employee value proposition and employer brand to improve attraction of people with the skills we need</p>										
Progress update										

Progress update

1. Working with education providers to ensure subjects meet future workforce requirements and students see a career in local government as an exciting option
2. Work has begun to make best use of the 'skills' facility in the new Oracle system. It will take time to understand how best to use the functionality but it is planned to help with finding people within NCC with skills not usually associated with their role, as well as providing easy reporting on professional registrations. This functionality is dependent on completion of career families work which is a long term project.
3. Work on how to use the full Talent module in Oracle will commence during 24/25
4. A digital skills learning and development strategy has been developed and resourced. This is a HR and Digital Services partnership activity. Activity has commenced and will continue to be delivered across 23-25.
5. Mandatory training policy is live and has been socialised. Work is ongoing to enable notifications to be sent to employees that are due/overdue on their training to support compliance. A review of our approach to
and prioritisation of mandatory training areas for focus in in development
6. NCC careers website has been refreshed
7. Workforce strategy being delivered. It identifies a number of themes that will support recruitment and retention of employees with the skills we need to be a successful organisation including refreshing our employer brand and development of clear career families
8. Changes to the organisational design and structure have been implemented. A governance approach to ensure this is maintained has been developed and is in test and learn phase
9. Where a need is identified specific recruitment and marketing campaigns are developed and socialised to support attraction to hard to fill roles
10. Our reward offer is reviewed regularly to identify additional areas that would support attraction and retention. e.g. introduction of mileage loan, electric vehicle lease scheme.
11. Work has begun on the career families and pay and reward review projects
12. Wellbeing strategy has been agreed and actions to implement begun
13. Work has begun to develop workforce strategy for 2025

Risk Number		RM030		Date of update		18 March 2024				
Risk Name		Non-realisation of Children’s Services Transformation change and expected benefits								
Portfolio lead		Cllr. Penny Carpenter		Risk Owner		Sara Tough				
Risk Description			Date entered on risk register			01 October 2022				
There is a risk of the non-realisation of Children’s Services Transformation change and expected benefits, encompassing the risk that Children’s Services do not experience the expected benefits from the transformation programme. Outcomes for children and their families are not improved, need is not met earlier and the increasing demand for specialist support and intervention is not managed. Statutory duties will not be fully met and the financial position of the department will be unsustainable over time. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	5	20	3	3	9	1	3	3	Mar-25	Amber
Tasks to mitigate the risk										
1)Well established demand management and prevention strategy and multi-year transformation programme in place.										
2)Significant investment has been provided to deliver transformation including										
3)Revised Social Care Placement Sufficiency Strategy and Implementation Programme Approved and moving to implementation										
4) Proposal for new 'Family Help and Protection' operating model has been successfully piloted ahead of planned roll out across Children's Services										
5)A single senior transformation lead, operational business leads and a transformation team are well established and aligned to direct, oversee and manage the change, including dedicated finance leads. This is complemented by additional specialist transformation resource, as part of the Central Support teams following the strategic review.										
6)Director led programme and project governance structures in place, including CEO led Portfolio Board, to track and monitor the trajectories of the programme benefits, risks and issues.										
7)Services from central departments are partially funded and aligned to provide specialist support to relevant programme and projects.										
8)Interdependencies with other enabling transformation programmes, e.g., Smarter Working, will be aligned to help maximise realisation of benefits.										
9)Identify areas of best practice from other public and private sector organisations to enhance outcomes for children and families and increase financial sustainability.										
Progress update										

Progress update

March 2024 update:

- The investment in transformation has proved successful since 2018/19 having met existing targets for specific schemes albeit in the context of overall dept overspends.
 - Overall programme broke even in April 2021 and has delivered gross cumulative savings of £67m, net savings of £50m up to 2022/23. Target for 23/24 stands at £16m and is anticipated to be met, or close to being met.
 - Core indicator of number of Children in Care is now stable and slightly reducing.
 - However, there have been significant cost pressures for 2023/24 that resulted, primarily due inflationary market pressures e.g., relating to increased transport costs per mile and weekly costs for external residential provision. The transformation programme in place has helped to partially mitigate these cost pressures.
 - Revised 5-year transformation programme in place to contribute to the delivery of the Flourish strategy and contribute c. £29m (iterative compared to 23-24 baseline), equivalent to c. £82m gross cumulative savings.
 - This includes the implementation of the Placement Sufficiency Business Case finalised January 2024 which will deliver improved outcomes for children and families and £13m financial benefits (iteratively compared to 2023-24 baseline) for Council as part of the MTFS.
 - Children's Services is the lead Local Authority for the regional fostering pathfinder bid (part of Stable Homes, Built on Love Strategy), that was successfully secured in late Autumn 2023, with the aim of improving the recruitment and retention of foster carers in the Eastern Region during 2024/25.
- The Council has engaged a company called TVI, who have outlined a "Digital Blueprint", identifying common challenges across the public sector and associated digital solutions. Two ideas relating to Children's Services in relation to transport and foster carer recruitment are being validated, to identify any additional benefits in addition to current transformation activity in these areas.
- The following factors need to be taken into account for 2024/25:
- Targets for savings proposals from demand-led budgets are very stretching at a time of substantial pressures. These are considered feasible but there is some potential that it will take longer than modelled to deliver benefits in full, particularly for factors outside of the Council's direct control such as availability of suitable properties or workforce where significant growth is required and market conditions are challenging.
 - Proposals do now include staffing savings in areas which relate directly to the control of demand-led budgets. By reducing staffing capacity in these areas, we create some risk to the delivery of those substantial savings in the MTFS – in particular, the savings relating to reducing numbers of children in care and the Local First Inclusion programme, which seeks to bring the High Need Block back into financial balance. We need to ensure that reducing capacity and delivering restructures does not prevent us retaining the critical focus on preventing demand which is still the primary driver of cost.
 - Scale of change has increased significantly, inherently leading to increased risk that there is insufficient organisational capacity to deliver required change.

Risk Number	RM031					Date of update		18 March 2024		
Risk Name	NCC Funded Children's Services Overspend due to demand pressure									
Portfolio lead	Cllr. Penny Carpenter					Risk Owner		Sara Tough		
Risk Description					Date entered on risk register			01 October 2022		
There is a risk that in-year pressures from service demand and other external factors beyond the department's control materialise and lead to a significant overspend. Risk Treatment: Tolerate										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
5	5	25	3	5	15	2	5	10	Mar-25	Amber
Tasks to mitigate the risk										
<p>1. Portfolio of change in place that targets improvement to operating model, ways of working, and placement & sufficiency to ensure that intervention is happening at the right time, with the right children and families supported, with the right types of support, intervention & placements. This will result in improved value for money through ensuring that money is spent in the right places, at the right times with the investment in children and families resulting in lower, long-term costs.</p> <p>2. Recognition of historic, underlying financial pressures within the Council’s MTFS, and investment in preventative and intervention staff and services to mitigate escalation of need and to enable children and families to remain together wherever it is appropriate to do so.</p> <p>3. Improved monitoring system implemented to identify, track and respond to financial challenges.</p> <p>4. Cohorts will be regularly analysed to ensure that all are targeted appropriately and to develop new transformation initiatives to meet needs cost effectively.</p> <p>5. Executive Director led governance groups in place to monitor financial position of the department and initiate appropriate management action.</p> <p>6. Local First Inclusion programme in place (supported by the Safety Valve deal) that has planned for additional spend in mainstream schools to support children with high level SEND to remain within them, where it is appropriate for them to do so, and enabling the achievement of good outcomes. This investment acts as a key driver to the long-term aim of returning the DSG to an in-year balanced budget and, subsequently, to repay the cumulative deficit, through mitigating the need for further expansion of special schools (above planned increases) or independent provision.</p>										
Progress update										

Progress update

March 2024 update:

- Improved monitoring systems and financial oversight have become embedded
- Multiple transformation projects been successfully delivered over the past 5 years that will contribute to mitigate this risk
- In Norfolk the number of children in care has bucked the national trend or reducing then remaining stable since Jan 2019, which resulted in reduced overall placement costs. However, unit costs are under considerable pressure due to external market forces, significant inflationary and National Living Wage increases. There are a number of transformation projects aimed reduce unit costs over the medium term.
- There are a wide range of factors that have impacted on the financial pressures faced by Children's Services nationally, including unit costs are increasing significantly due to the cohort with the very highest and most complex needs continuing to grow as a proportion of all children looked after. The pandemic continues to have a substantial impact e.g., delays in the court system and the impact of hidden harm on CYP. Examples of other factors are: (i) lack of supply of placements; (ii) worsening of emotional wellbeing and mental health amongst children, young people and parents; (iii) impact of inflation on families and services such as transport; and (iv) ongoing shortages of staff in key professional specialisms.
- As at period 10, there remains a reported significant in-year cost pressure. The forecast overspend for social care placements and support is c. £7m, primarily due to the significant increase in the average unit cost for external residential and external supported accommodation (although this appears to have now peaked and has reduced towards previous levels), the demand continuing to be high for social care services (as seen and reported nationally), additional costs of supporting a small number of children and young people with very complex needs, as well as a significant increase in the demand for community short-break provision. Home to School Transport forecast for the year is a c. £6m overspend despite the additional budgeted resources provided for 2023-24. The persistent inflationary increases for fuel and the cost of vehicles, along with the rises in National Living Wage, has seen increases in the cost of tenders awarded for transport routes continue to rise.
- Action is under way to positively impact transport related costs, both the demand-side and the supply-side factors. On the supply-side, there is a piece of focused work underway in conjunction with the officers from across the Council to look at the transport provision market and any additional levers that could be developed to have a beneficial effect. Much demand-side activity is already delivering benefits and is continuing to be pursued and expanded, including a focus on supporting young people to be travel independent (such as the TITAN Travel Training programme) and the initial impacts of Local First Inclusion in reducing the distances that have to be travelled for those attending new provisions.
- Children's Services continues to undertake a substantial transformation programme to both improve outcomes for children and young people as well as delivering financial savings e.g. Placement Sufficiency strategic plan. These aim to mitigate risks and pressures that emerge and accompanies management action within the department that continues to be taken to reduce these risks and cost pressures wherever possible.
- The department has sought to identify and implement mitigations of cost pressures in-year, though some actions require a lead-in time to deliver. The department continues to seek additional mitigations.

Risk Number	RM032					Date of update		04 March 2024		
Risk Name	Capacity to manage a large incident or multiple incidents or disruptions to business									
Portfolio lead	Cllr. Jane James					Risk Owner		Sarah Rhoden		
Risk Description					Date entered on risk register			29 October 2021		
NCC is affected by an internal or external incident/emergency that impacts on the authority's ability to deliver critical services. This could be internal threats such as loss of IMT or power or external impacts such as supporting the countywide response to Norfolk's Highest risk such as Coastal flooding or pandemic flu. There is a risk of a large scale incident or series of incidents that cause potential negative impacts on the reputation, resources or financial stability, that affect NCC's ability to deliver it's services. There are a number of ongoing situations which are compounding this risk. 1. Energy providers issue of reasonable worst case scenario for power national power outages. 2. Seasonal weather risks										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	4	16	3	2	6	3	2	6	Mar-25	Met
Tasks to mitigate the risk										
1) Maintain the Corporate Resilience Plan. 2) Maintain a robust Business Continuity process, including training and exercising. 3) Having the appropriate groups in place to be able to support and manage any response to an incident causing business disruption. 4) Supporting and embedding of Business Continuity looking at best practice to support the operational delivery of services. 5) Further training planning for both BC and Emergency Planning. 6) Active engagement and participation in the Norfolk Resilience Forum. 7) On going review of winter risks 8) Member of the NRF and attendance at weekly Norfolk Risk Intelligence Group (RIG) meetings 9) NRF Plans and procedures in place, including training and exercising.										
Progress update										
The BC process and emergency response mechanisms are in place and enabled within NCC, support is in place from the Resilience team who deliver 24/7 response support. Current BC stats = 84% of NCC plans reviewed and 82% plans have been exercised. For situational awareness the Norfolk Resilience Forum (NRF) has in place weekly Risk Intelligence Group (RIG) meetings. Due to global and national uncertainty, pre-emptive planning is on going to look at the risks that NCC and Norfolk will face, these will include: seasonal weather - surface flooding. Health issues- pressure in care systems, outbreaks, re-emergence of COVID, Hospital roof collapse and care home failure. Cost of living impacts. Disruption to power or communications systems, Industrial Action, Animal Health outbreaks, Cyber attacks. Current Score reduced to 6 from 9 due to available mitigation measures under our remit being implemented to control the current risks. On going current weather related risks seasonal weather impacts, closely monitoring the situations with Blue Tongue with Trading Standards and the national spike in measles with UK Health Agency.										

Risk Number	RM033		Date of update		18 March 2024					
Risk Name	Norwich Western Link Project									
Portfolio lead	Cllr. Graham Plant			Risk Owner	Grahame Bygrave					
Risk Description			Date entered on risk register		01 October 2022					
There is a risk that the NWL project could fail to receive funding approvals from the Department for Transport (DfT), and/or statutory approvals necessary within the necessary timescales to achieve the Orders to construct the project (related to planning consent, land acquisition, highway orders) to enable the Norwich Western Link (NWL) project (at £251m) to be delivered to the agreed timescales (target opening by late 2025). Cause: Objection to the project (particularly related to environmental impacts) that results in either DfT or Secretary of State failing to provide the necessary approvals for the funding/Orders. Event: The scale of the project and the funding requirement from DfT (at 85%) is such that without their funding contribution, it will not be possible to deliver the project. Without the necessary Orders in place, it will not be possible to deliver the project. Effect: The benefits that the project would bring in terms of traffic relief, accommodating growth in housing and employment, economic recovery and journey time savings would not be achieved. If ultimately the project does not get constructed there is the possibility that any funding already provided by DfT would need to be repaid and that the capital expenditure up to that stage could need to be repaid from revenue funds (as there would be no capital asset to justify the use of capital funding). Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	12	3	4	12	1	4	4	Sep-24	Amber
Tasks to mitigate the risk										
1. Work closely with DfT to resolve any queries related to the OBC approval. 2. Ensure programme dates for statutory approvals are achieved and submission details are legally checked. 3. Develop strong team resource to ensure well developed submissions for statutory processes (including public inquiry) are provided. 4. Provide regular updates to the project board to ensure any issues related to programme, cost and risk are reported. 5. Monitor scale of expenditure prior to Secretary of State approval to ensure any potential financial implications can be accommodated within the NCC financial envelope.										
Progress update										

Progress update

1. OBC submitted to DfT for approval at end of June 2021. July 2022 - Report approved by Cabinet (included revised timescales and budget - 85% DfT contribution retained in OBC addendum submitted to DfT. Feb 23 - No further requests for info. from DfT. March 23 - No funding announcement in March Budget Statement. May 23 - Still no decision from DfT, but no further work required to OBC. Awaiting outcome of Treasury review of funding nationally. Aug 23 - Still awaiting Treasury review outcome and DfT announcement. January 2024 - OBC was approved by DfT in October 2023 and reported to Cabinet in December 2023. Agreed planning application to be submitted asap in 2024.
2. Programme regularly reviewed by project board to ensure realistic timescales for project delivery are in place. July 2022 - Timescales updated in Cabinet report and agreed. Sept 22 - Govt mini-budget on 23rd Sept set out fast-tracking of projects, including NWL. Details awaited to understand any implications. Jan 23 - No further details from (different) government re fast-tracking. May 23 - Awaiting OBC decision is continuing to delay planning application process Aug 23 - Report taken to Cabinet in July setting out reduced activity on project whilst awaiting DfT funding decision. January 2024 - Detailed programme update as part of Cabinet report in December 2023. Allows for revised timescale for statutory approvals and legal process/checking. Scheme completion in 2029, therefore target date amended. March 24 – Planning Application being finalised for submission.
3. Resource review in progress to ensure the team structure is suited to each phases of the project. July 2022 - Team structure in place with some gaps in resource being resolved, but very challenging employment market conditions. Sept 22 - maintaining resources on project is proving challenging. Ongoing recruitment and discussions with WSP. Feb 23 - Resourcing remains challenging, but is an issue within construction sector generally. Aug 23 - Continuing resource issues, notably at Engineer/Project Engineer level, but agreement to reduce project activity has reduced issues. January 2024 - Resources remain challenging. External procurement process ongoing to establish resources for next stages of project (post-planning application).
4. Project board meetings in place and risk, programme, cost regularly reported. July 2022 - All details updated in Cabinet report. Sept 2022 – Board closely monitoring budget including inflation/economic implications. May 23 - Delays to project OBC decision reported to project board. Implications will continue to be considered and reported to Cabinet. August 2023 - Details presented to Cabinet in July discussed/agreed at Board. January 2024 – Board updated on progress following December 2023 Cabinet reporting.
5. Section 151 officer kept updated on expenditure at project board. July 2022 - Details in Cabinet report agreed with s151 officer and budget recommendation and implications accepted by Cabinet and Full Council on 19 July. Delay to OBC funding from DfT covered in item 1 above. May 23 Report taken to July 2023 Cabinet, to consider implications of ongoing delay to DfT OBC approval. August 23 - Report agreed by Cabinet, reducing activity whilst awaiting OBC approval. January 2024 - OBC approval (in October 2023) included ref to up to 100% funding (based on OBC) from DfT. Awaiting further guidance on this from DfT. Details reported to Board and Cabinet. March 2024 – Still awaiting further guidance from DfT regarding up to 100% funding.

Risk Number		RM034		Date of update		06 February 2024				
Risk Name		Supply Chain Interruption								
Portfolio lead		Cllr. Kay Mason Billig		Risk Owner		Al Collier				
Risk Description				Date entered on risk register		01 October 2022				
There is a risk of a supply chain interruption, which could affect any of the Council's supply chains. This could take the form of either a sudden or gradual interruption, affecting the ability to deliver one or more services effectively. Cause: Examples of sudden interruptions include; loss of power; loss of supplies due to panic-buying (fuel being the prime example with knock-on effects); supplier insolvency; inability to replace critical components. Examples of gradual interruptions include; a gradual inability to recruit key in-demand staff (e.g. drivers & care workers); a gradual material shortage (e.g. construction materials); inflation; industrial action; staff absence owing to Covid-19 / seasonal flu, gradually contracting labour markets. Event: The materialisation of a sudden or a gradual interruption or degradation of a NCC supply chain. Effect: Different causes will generate different effects, but the common effect would be a disruption to service delivery stemming from the interruption of the supply chain involved. This could have knock on effects to other services depending on the interconnectedness / scale of the supply chain. Overall risk treatment: Tolerate (treating with general mitigations)										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	4	16	4	3	12	3	2	6	Mar-25	Amber
Tasks to mitigate the risk										
For loss of power: 1) Understanding power resilience of County Hall 2) Understanding failover if we lost County Hall power 3) Reviewing plans for simultaneous loss of power or gas to multiple sensitive sites, e.g. care homes. 4) Thinking through command and control in case of widespread power loss For fuel: 5) Sending out a de-brief form to all involved in the fuel disruption (NCC) and the Resilience team will collate the returns. This will inform changes to the NCC approach and potentially update the Corporate plan. Our work will feed into the wider NRF de-brief to the NRF plan. For food: 6) Consideration of academies and our role with free school meals. 7) Maintain good relationships with key suppliers. For supplier insolvency: 8) Formalising tiering of contracts For critical spares: 9) Work with providers to ensure there is adequate support to just in time (JIT) deliveries (contingency stock of critical spares). For IT: 10) Ensure IT refresh is considered and appropriate stock pre-ordered. General mitigations against sudden major disruptions include: Early warning and trigger points Supply diversity Supplier relationships Public sector resource pooling Effective plans										
Progress update								200		

Progress update

For loss of power:

- 1) Power resilience understood.
- 2) Resilience of Disaster Recovery site understood.
- 3) This is being looked at via normal BAU winter preparedness. Resilience Reps and DMT's are supported by the Resilience Team to review BC plans.
- 4) Command and control will follow existing processes. Any issues to be reported by department and escalated to appropriate response level (Silver/Gold) to manage the NCC response. If beyond NCC the NRF will be activated to respond.

For fuel:

- 5) Resilience Team have sent out a de-brief form to all involved in the fuel disruption (NCC) and has collated the returns. We have collated learning and now the Resilience Team are looking at the delivery of an operational plan to help deliver fuel

to critical services and have created a BC exercise for services to work through their fuel issues and supply needs.

For food:

- 6) Work to be carried out with providers to ensure they think about support to just-in-time deliveries (contingency stock of basics).
- 7) Close communication and good relations being upheld with key suppliers of food.

For supplier insolvency:

- 8) Tiering of contracts being formalised.

For critical spares:

- 9) Ongoing work with providers to ensure adequate support is available for JIT deliveries.

For IT:

- 10) Laptops for next round of IT refresh pre-ordered and in supplier's warehouse.

Further detail of the wider resilience work being undertaken to help prevent supply chain interruption can be seen in risk RM032.

Risk Number	RM035					Date of update		01 March 2024		
Risk Name	Adverse impact of significant and abnormal levels of inflationary pressure on revenue and capital budgets									
Portfolio lead	Cllr. Andrew Jamieson					Risk Owner		Harvey Bullen		
Risk Description					Date entered on risk register			01 October 2022		
<p>There is a risk that significant and abnormal levels of inflationary pressure persist for an extended period of time with a negative impact on both the Council's revenue budget and capital programme. Unusually high levels of inflation across various sectors are being experienced, driven by a number of economic and other factors which are entirely outside the council's control. Forecasts are increasingly suggesting that this situation is likely to persist for a protracted period. There is a risk that this level of inflation will have very significant impacts across several areas of the council including: - Increasing demand for a range of support and services including hardship funds as the cost of living and inflationary pressures impact on wider society. - Direct impact of inflationary pressures on revenue pay budgets - pay awards for 2023-24 and 2024-25 in excess of the level which has been assumed in the budget / MTFS. - Direct impact of inflationary pressures on non-pay revenue budgets including energy and fuel costs. - Direct impact of inflationary pressures on the Capital Programme including the cost of construction for various schemes. This is significantly reducing the Council's purchasing power and creating significant challenges for programme management and scheme delivery. Risk Treatment: Tolerate (overall levels of inflation are outside of the Council's control), but treating the aspects that the Council is in a position to control.</p>										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
5	5	25	4	5	20	3	5	15	Mar-25	Green
Tasks to mitigate the risk										
<p>1) Close budgetary control 2023-24 - Monitoring budgets and emerging pressures during the financial year, reviewing activity levels and pressures in order to mitigate and minimise these as far as possible as part of regular budget monitoring and management processes. Where pressures cannot be avoided / mitigated, identifying alternative off-setting savings and / or funding (such as from business risk reserves) to deliver a balanced budget position for 2023-24.</p> <p>2) Setting 2024-25 Budget - Developing the 2024-25 Budget to provide as far as possible for known and unavoidable cost pressures, and identifying further income or off-setting savings initiatives to ensure that a robust and achievable Budget can be considered by Full Council in February 2024.</p> <p>3) Reviewing capital programme - Review of cost estimates, forecasts and profiling of major projects. The Council will monitor this risk and review the potential pressures on the capital programme and proactively manage the schemes, deferring some schemes where possible to minimise the impact of inflation and continue to deliver the capital programme within the budget available. The impact of cost pressures on the capital programme forecast will be picked up as part of the regular capital monitoring process during 2023-24 and as part of setting the 2024-25 Capital Programme.</p> <p>4) Articulating the financial challenges faced by the Council to Government and other stakeholders - The Council's work to ensure that sufficient funding allocations are provided / available will include responses to Government consultations, funding announcements, discussions about the 2023-24 pay award, and other engagement.</p>										

Progress update

- 1) Budget monitoring and reporting of variances, risks and mitigations to Cabinet have been and continue to be reported throughout 2023/24, and the financial monitoring position will continue to be reported monthly going into 2024-25.
- 2) A balanced budget for 2024/25 was agreed and set on 20th February 2024 by Full Council.
- 3) Monitoring of Capital Programme continues in respect of 2023-24 and is regularly reported to Cabinet. Review of capital programme profiling is continuing at pace and has resulted in deferral of borrowing to later years of the programme. The development of new schemes for the 2024-25 programme has been undertaken in the context of the wider position, and as a result in the programme approved by Full Council there were very limited additions to be funded from borrowing.
- 4) Ongoing engagement including formal consultation responses and ad-hoc opportunities.

Risk Number		RM036		Date of update		06 February 2024				
Risk Name		Non-Delivery of the Environmental Policy								
Portfolio lead		Cllr. Eric Vardy		Risk Owner		Al Collier				
Risk Description				Date entered on risk register		01 October 2022				
There is a risk of not delivering the key objectives of the NCC environmental policy. This could stem from not achieving the key objectives within our control to deliver. These include; achieving Net Zero Across the County Council Estate by 2030, working in partnership across the County, especially through the Norfolk Climate Change Partnership on the delivery of; the Climate Action Plan, major environmental infrastructure projects; sustainable travel projects; the 1 Million Trees for Norfolk project; the Pollinator Action Plan as well as continued roll out of LED streetlighting upgrades and implementation of the EV strategy. Event: Non-delivery of the key objectives. Effect: This could lead to greater potential for increased damage to the local and global environment. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	4	16	3	3	9	2	2	4	Mar-25	Green
Tasks to mitigate the risk										
1) Achieve Net Zero across NCC Estates by 2030. 2) Develop and deliver Climate Action Plan through Norfolk Climate Change Partnership. 3) Delivery of major environmental infrastructure projects for example Wendling Beck. 4) Delivery of all of the major transport infrastructure projects including ZEBRA. 5) Delivery of the 1 Million Trees for Norfolk project. 6) Delivery of the Pollinator Action Plan. 7) Rollout of 15k LED lights by the end of 2023 8) Rollout of electric vehicles										
Progress update										
Regular reporting cycles are already established for each of the key objectives. 1) Digital dashboard established and strong delivery against scope 1 and 2 emission targets. 2) Development work ongoing with Norfolk Climate Change Partnership. A number of strategic workshops are taking place in the third quarter of 22/23 which will inform the direction and content of the climate action plan. 3) Strong progress to date with all key environmental infrastructure projects on schedule. 4) Sustainable transport projects progressing well and major investment in ZEBRA scheme and cycling and walking programmes secure. 5) Delivery of 1 Million Trees project progressing positively with plan in place to accelerate planting plan following Covid-19 impact on planting programme. Current scoping work ongoing regarding new partnerships and approaches to increase planting. 6) Pollinator Action Plan approved by Cabinet and under delivery - no major issues to report. 7) We have currently replaced 3.7k lights. 8) We are currently developing metrics for the fleet of NCC electric vehicles. With the sign-off of the NCC Climate Strategy, we are now in the process of incorporating this into this risk going forward.										

Risk Number		RM038		Date of update		06 March 2024				
Risk Name		Demand to manage statutory responsibilities								
Portfolio lead		Cllr. Alison Thomas			Risk Owner		Rob Mack			
Risk Description				Date entered on risk register			14 March 2022			
If there is insufficient time and staffing resource in operational teams to focus on recovery actions, then the risk of harm to service users will be unaddressed with the associated adverse impact to staff wellbeing & retention, increased complaints & LGSCO findings; and reputational challenge from Members/the Council and from the public. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	4	16	3	4	12	2	4	8	Mar-25	Amber
Tasks to mitigate the risk										
Existing controls/mitigations updated 06/02/2024. Progress updates contained in Progress Update section.										
- Whole department approach to supporting prioritisation of work plans/actions										
- Dedicated leadership in place										
- OP/PD Service Development Plan for 24-25 in place										
- Learning (Improvement) Cycles embedded in each Locality										
- Refreshed OP/PD performance governance framework reporting to Director Leadership Team (Assurance Board)										
- Performance and outcome data available (Power BI Dashboards) and decision making at all levels from Team Manager upwards										
- Additional scrutiny of operational performance & impact through Connecting Communities programme governance. Fosters strong connection between Social Care Community Engagement (front door), Norfolk First Response and Care & Assessment teams.										
- Engagement with NCC corporate Change Business Leads										
- Hospital Discharge Programme instigated to transform key quality and outcomes of people leaving hospital on to long term care & support arrangements										
- Capacity & demand modelling in progress - numerous areas										
Progress update										

Progress update

19/02/2024

Older People / Physical Disability (OP/PD) Service Development Plan for 2024/25 draft. Will be taken through OP/PD governance and ASC Assurance governance process for sign off. This outlines service priorities and focus areas for 2024/25. OT plan presented to DLT in January 2024. Requires further development and includes a range of proposals to increase grip on OT recovery for people waiting on holding list. Continued challenges within the Xyla project has led ASC to recruit a small number of agency social workers to face hospital discharge and outstanding review recovery. Refreshed safeguarding dashboard published allowing greater oversight of workflow. Priority focus on improving performance for new referrals ensuring protection plans are in place within 3 days. Increased training compliance achieved through additional safeguarding courses and LAS form changes to be made early March to improve recording of protection plans. Audits undertaken on all SG cases being managed on holding lists to ensure protection action/plans in place – high confidence this is the case. SG case numbers being managed on holding list at lowest level since August 2022. Refreshed OP/PD governance being introduced using improvement cycles and consistent agendas in all 5 localities. Roll out will continue into March and April. Sustainability Leads and E4SC Operations Managers in post with clear work plan to achieve consistency of ways of working introduced through the Connecting Communities programme. Red Flag items for OP/PD reported through to ASC Assurance Board on a regular basis i.e. outstanding reviews, safeguarding and holding list performance & recovery.

06/03/2024 - In addition to progress updates as of 19/02/2024:

OP/PD holding list overall remains static at c.1880 since December 2023.

Prioritisation of outstanding reviews, lapsed provider contracts and

Hospital Discharge Programme, transformation plan for moving to ward attached social work service on community hospital wards agreed. This will change the assessment model and improve contracting arrangements for providers.

Plan being developed to reduce further the number of people in short term beds waiting assessment for long term care and support plan.

Financial planning linked to budget setting and work plan prioritisation in progress

Connecting Communities 'Health Check' to take place w/c 11/3/24 that will provide independent insight into key performance improvement areas

Acute Discharge Fund allocation agreed, subject to Integrated Care Board ratification, to ensure allocation of resource and intermediate care services in 24/25.

Risk Number	RM039		Date of update		06 February 2024					
Risk Name	Financial, Staffing & Market Stability impacts due to implementation of Social Care Reform (now October 2025)									
Portfolio lead	Cllr. Alison Thomas		Risk Owner		Sonia Kerrison					
Risk Description			Date entered on risk register		19 July 2022					
<p>Financial Risk There is a risk that the Government will not provide sufficient funding to support the implementation of Social Care Reform and that we (NCC) will not have any monies to fill any shortfalls or additional costs. There is a risk that the Government has hugely underestimated the cost to implement Social Care Reform and therefore there will be a shortfall in funding to Local Authorities. Added to this, NCC does not have any additional monies to fill any shortfall from the Government or any other additional costs (related to additional cases, more service users that require more input into costs, support & maintenance for Care Accounts etc) associated with the Social Care Reform implementation. Resourcing/Staffing Risk There is a risk that there will be insufficient resources both internally and to recruit externally to meet the new demands of the social care reform. we will not have sufficient resources (SW, Finance and Brokerage) to process the increased care act and eligibility checks as more self funders request LA to purchase care on their behalf or reach the £86,000 cap. In addition we may not be able to recruit the necessary additional staff externally due to lack of social workers both regionally and nationally. We are struggling to recruit for vacancies we have now. Market Stability Risk There is a risk that there will be insufficient capacity in the market to meet the new demands of the social care reform. The implementation of 18(3) whereby self funders can request Local Authorities to purchase care on their behalf, has a destabilising impact on our already fragile care market. In addition the level of provider failures/contract handbacks are really worrying and may impact our ability to provide suitable care or alternatives to those who can no longer afford first and third party top ups once they reach the cap. There also may not be sufficient care in the market for us to provide suitable lower price alternatives if first party and third party top ups are required. Overall risk treatment: Treat</p>										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	4	16	3	3	9	2	2	4	Oct-25	Amber
Tasks to mitigate the risk										
<p>Social Care Reform has been delayed by 2 years to October 2025. The SCR Programme will continue working through the Modelling and Impact analysis to understand the impact and plan for implementation.</p> <p>The programme is :Developing the Target Operating Model to deliver Reform, including:</p> <p>How we will approach assessments in the future so that we can better meet demand (proportionality, whether we get partners involved in carrying out some assessments (trusted assessor model), whether we introduce self assessment, self service, and optimising the use of technology).</p> <p>Implementation of changes within reform to Charging and the creation of Care Accounts.</p> <p>Market sustainability and Fair Access to Care.</p> <p>Working with customers, carers and partners to plan and shape the Transformation required to deliver Social Care Reform.</p>										
Progress update										

Progress update

Update 10/11/2023

SCR reform programme of work reviewed by DLT October 2023. Decision made to dissolve current programme and refocus work activity and priorities following the strategic review and in light of the national political landscape including uncertainty regarding the implementation of the proposed charging reforms and the care cap.

Continue to prepare for expected social care reform, using the delay announced in the Government's Autumn Statement to rescope our project programme to improve our efficiency and outcomes for people.

Key activities to deliver above are: A Digital work programme through the ASC ASTEC Board to implement digital tools using Imosphere to enable on line self-assessment, client portals and client accounts. Governance and work will be via the ASC ASTEC Board. Create a model of Trusted Assessment and work with the Care Market to implement this. Create a Target Operating Model for ASC identifying future workforce requirements.

Update 5/1/2024

Continuation of activities outlined above 10/11/2023. Charging elements of Social Care Reform (Care cap) unlikely to be implemented but this has not yet been confirmed by government.

Updated 6/2/2024

Digital programme of work to deliver tools to enable self assessment, trusted assessment, customer portals, smart flow and revised RAS in progress. Refreshed programme being devised to implement over 2024.

Risk Number	RM040				Date of update		05 March 2024			
Risk Name	Assurance implementation									
Portfolio lead	Cllr. Alison Thomas				Risk Owner		Debbie Bartlett			
Risk Description					Date entered on risk register			22 July 2022		
A CQC rating of good or above indicates a social service department that is providing the right support in the right way to promote positive outcomes for the people who need to draw on adult social care, and those that support them. A rating of less than good indicates that we are not assessing need, providing support or working in partnership with others in a way that enables the best possible outcomes for people in the local area. If we are rated less than good in the upcoming assurance regime, we are likely to have increased difficulty providing timely and high quality intervention for people. It is likely to increase our difficulties recruiting and retaining good staff, which will further impact our ability to manage the demands well, both from staffing and governance perspectives, leading to further loss of practice quality, increased wait times for citizens and less than optimal outcomes more of the time. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	9	4	4	16	2	3	6	Mar-25	Amber
Tasks to mitigate the risk										
<p>Performance Improvement Group (PIG) in place to drive performance improvements, meeting monthly. Quality Improvement Group (QIG) established Feb 23 to drive quality improvement, including ensuring that increased focus on recovery does not compromise quality of work.</p> <p>The action plan developed following regional mock assurance, updated following ex-director challenge session in Jan '23. This is reviewed regularly at PIG and continues to drive performance improvements and assurance readiness.</p> <p>Performance is majorly impacted by recovery. Recovery tracker maps performance against key metrics weekly and is circulated to senior managers. All areas have recovery plans with routine monitoring.</p> <p>Connecting Communities transformation programme is having a significant positive impact on our ability to ensure optimal outcomes for more people as we change our ways of working, embedding more preventative work and reducing the reliance on formal social care.</p> <p>Our refreshed corporately significant vital signs embed our commitment to prevent the need for formal care, reduce the reliance on formal social care, manage the risk in our waiting lists well, manage safeguarding work effectively and work with provider market to improve the quality of provision. These, and their feeder indicators, are used to direct performance conversations as part of our governance structure, directly linking to aspects of the CQC framework.</p> <p>We closely monitor development of the CQC assurance process, including feedback from the pilot sites as they complete the process.</p>										
Progress update										

Progress update

April '23: Further clarity regarding assurance regime now available. Desktop exercise for all ASSDs from April 2023. Up to 20 selected for assurance Oct-Dec '23 based partly on perception of risk. Given our recovery pressures and associated waiting times and waiting lists, this increases likelihood of us being assured in first or second tranche. Risk scores remain valid.

July '23: The SALT and ASCOF returns for 22/23 have now been finalised and submitted. We have seen significant improvement in a number of metrics, but remain with low performance when compared with the East of England region or the England average for last year in some measures. Comparative data will not be available until around September/October.

The ADASS Spring Survey was recently submitted and early indications are that we have more people waiting for assessments of various types than the regional average.

The Office for Local Government launched a dataset for local government this week, containing seven measures for adult social care. For five of these measures, we are below the median performance for our nearest statistical neighbours. For two measures we are at or above the median. This is in the public domain but draws on data from 21/22.

Given these datasets being in the public domain, the likelihood of CQC assuring us earlier in the process is increased.

Nov '23: Awaiting final guidance from CQC regarding details of their approach assurance, and are carefully monitoring for information from our networks. Engaging in regional challenge event which will give further indication of our performance from a 'critical friend' perspective.

March '24: We are now in the third tranche of inspections and we continue to monitor how these are conducted and the implications of these for Norfolk.

Risk Number	RM041					Date of update		05 March 2024		
Risk Name	Adult Social Services Supplier or Market Failure									
Portfolio lead	Cllr. Alison Thomas					Risk Owner		Gary Heathcote		
Risk Description					Date entered on risk register			05 September 2023		
The Council contracts with independent providers (of care homes, nursing homes, home care, supported living, housing with care and day care) spending over £330m annually to support around 16,500 adults at any one time. Failure in the care market may be defined as the sudden/unplanned loss of any or all of these services by reason of: inadequate quality, lack of financial viability, deficient supply of workforce, provider decision to withdraw from the market or natural disaster, The Council has a duty under the s5 of the Care Act 2014 to meet the needs of people who require assistance from public funds and to secure a diverse and good quality care market for this purpose.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	9	5	4	20	4	3	12	Mar-25	Amber
Tasks to mitigate the risk										
1) Annual uplift of fees and consideration of cost of care to ensure a full understanding of a fair price for care 2) Process in places to ensure NCC business is conducted well with invoices paid promptly. 3) Work with providers to ensure early communication of cashflow concerns. 4) Use of a provider at risk dashboard to support earlier conversations with providers 5) PAMMS review to work proactively with all providers to support quality improvement and implementation of quality improvement and escalation policy 6) Agreed workforce strategy and implementation plan including increased focus on recruitment and retention 7) Up to date market position statement to track changes in demand and protections of future need and signal commissioning intentions. 8) Fair cost of care work completed for home support and older people residential and nursing and market sustainability plan reported to Cabinet 9)Weekly multi team meeting to review providers with highest risks and actions required 10) Annual winter resilience plan to help address capacity 11) Specific actions to focus on issues related to providers of services for people with learning disabilities - these include commissioning actions to develop new compliant care including capital investment to increase independent living and residential care review; LD&A quality improvement actions to provide additional support to providers undertaking improvement actions. 12) ICS Social Care Quality Improvement Programme in place										
Progress update										

Progress update

18/08/2023

Internal capacity meeting to oversee actions and impact

Connecting communities programme with focus on Norfolk First Response - to increase reablement capacity

Weekly provider at risk meeting - focused on actions to monitor and manage providers delivering services to working age adults, with critical risks.

PAMMS Reviews programme on track, and team supporting providers with urgent quality and safeguarding issues

Quality Improvement and Escalation policy in place

Regular review of provider risk dashboard for residential and nursing and development for other parts of the care sector. Further development of the provider at risk dashboard developed

Regular communication with Market via NORCA and engagement programme.

Further incentives put in place when needed for home support from hospital or NFR

International Recruitment

approach - Community of practice in place and developed offer implemented with ICB. Norfolk is the lead sponsor for the regional programme using government funding for international recruitment.

Home support and OP residential and nursing cost of care work completed. Market Sustainability Plan completed. ICS Social Care Quality Improvement Programme in place and working towards agreed deliverables.

Market position statement presented to Cabinet 4 July. Market Position seminar held with providers.

Paper to DLT setting out specific pressures relating to WAA care providers with further funding agreed to support targeted support. Two Quality Improvement Officers appointed and new wrap around support model being developed.

2023-24 fee increase agreed by Cabinet in January 2023.

Proactive sourcing implemented within brokerage.

Risk Number	RM042					Date of update		19 February 2024		
Risk Name	Increasing Challenges to Maintaining Financial Resilience									
Portfolio lead	Cllr. Andrew Jamieson					Risk Owner		Harvey Bullen		
Risk Description					Date entered on risk register			27 February 2024		
There is a risk that the Council becomes unable to maintain financial resilience against increasing external cost pressures. Cause: Sustained externally driven cost pressures in areas where we are legally required to deliver, without greater external funding to support additional demand. Event: Demand driven costs outweigh the ability to deliver services within our set budget. Effect: Significant overspend against budget set, impacts on wider service delivery, greater use of reserves required and unsustainable expenditure.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	15	3	5	15	2	5	10	Mar-25	Amber
Tasks to mitigate the risk										
1) Continuous monthly budget monitoring and reporting to Cabinet, identifying and raising any early signs of budget pressure with any budget variances reported. Regular and robust monitoring and tracking of in-year budget savings by Executive Directors and Members. 2) Continued lobbying of central government for grant funding, with close monitoring of central government grant terms and conditions to ensure that these are met to receive grants. 3) Value for money analysis work to be completed. 4) A government-required Productivity Plan to be worked through, agreed and signed off by July 2024 for implementation.										
Progress update										
1) Ongoing monthly budget monitoring and reporting into Cabinet to identify and report any emerging in-year cost pressures. Executive Directors have responsibility for managing their budgets within the amounts approved by County Council. Executive Directors have been charged with reviewing all their cost centres to ensure that, where an overspend is identified, action is taken to ensure that a balanced budget will be achieved over the course of the year. This is actively supported by the Finance Business Partners. 2) Ongoing lobbying throughout the Council for additional grant funding where available from central government, and continued close monitoring of terms and conditions that need to be met to receive this. 3) External Audit have completed their value for money work in relation to 2021-22 which includes work on the Council’s plans to address projected budgets gaps. This concluded that there is no significant risk present in relation to these areas. Value for money analysis underway in relation to the 2022-23 accounts. 4) The Council is now working at pace through the expectations set by central government of the Productivity Plan and is working to deliver this by July 2024 as required.										

Risk Number		RM043		Date of update		18 March 2024				
Risk Name		High Needs Block Deficit cannot be resolved								
Portfolio lead		Cllr Penny Carpenter and Cllr Andrew Jamieson			Risk Owner		Sara Tough			
Risk Description				Date entered on risk register			18 March 2024			
There is a risk that the level of need and demand within the SEN system remains at such a level that the current financial pressure on the High Needs Block cannot be reduced in line with the 'safety Valve' agreement made with the DFE. If the deficit cannot be reduced ultimately the Safety Valve agreement could end and the financial deficit in the HNB could fall onto the NCC balance sheet.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	5	20	3	5	15	2	2	4	Mar-29	Amber
Tasks to mitigate the risk										
Children's Services has put in place a major programme of Transformation (Local First Inclusion) with the intention of reducing the high needs block deficit over time whilst still meeting the needs of children. This focusses on additional support for children with SEN in mainstream schools and the creation of the right specialist provision in the right locations to reduce the reliance on costly independent sector provision. Robust programme management is in place across the programme with corporate oversight as well as that from within Children's Services The programme is supported by a comprehensive financial model and performance management of all workstreams and operational teams										
Progress update										
The Local First Inclusion Programme is well underway and impacting on the ground. New School and Community Teams are in place and working proactively with children, families and schools. The capital programme is progressing strongly and the new model of alternative provision is due to begin implementation in 2024. However the level of demand in the current financial year (2023/24) has continued to be at levels greater than ever previously and as a result the deficit has grown to a greater level than previously modelled. Because of this deviation from trajectory the DFE has instigated its 'Enhanced Monitoring and Support' programme which requires the LA to refresh and resubmit revised trajectories before the Safety Valve agreement can recommence. This remodelling of the programme is in progress.										

Audit and Governance Committee

Item No: 9

Decision making report title: Internal Audit Strategy, Approach and Audit Plan for 2024-25

Date of meeting: 30 April 2024

Responsible Cabinet Member: N/a

Responsible Director: Harvey Bullen, Director of Strategic Finance

Is this a key decision? No

Executive Summary

The Audit and Governance 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](#) Part 8A, page 134.

The Audit and Governance 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'.

Norfolk Audit Services fulfils the internal audit function for the Council as required by its own Terms of Reference and the relevant regulations and standards, which are considered annually by the Committee.

Our vision is,
'To bring best value, insights and assurance for continuous improvement.'

Our work is planned to support the Council's [vision and strategy](#), Better Together, for Norfolk 2025, which was agreed by the Council in December 2021. That strategy is delivered through the [relevant Corporate Delivery Plan](#).

This report sets out the:

- Background and Purpose (Section 1)
- The proposal: Our vision, mission and strategy to achieve that (Section 2)

- Our Approach to developing the Audit Plan 2024-25 (from 2.26)
- Audit Plan for 2024-25 (from 2.53)
- Performance (from 2.63)

The total days available to deliver all the services provided by NAS is 1,702 days. Included in these days are 442 days which are delivered to external clients (FCE, schools, grants, EIFCA and the Norfolk Pension Fund). This resource is considered to be adequate and proportionate to provide an annual opinion and to meet the relevant standards.

Of the remaining 1,260 days available: -

- 635 days are available to deliver the audit opinion work. This will be supplemented by engaging contractors where that represents best value. This is deemed sufficient to provide an opinion on the adequacy and effectiveness of the Council's framework of internal control.
- To deliver the risk management and investigative auditor roles, 525 days are available. This has increased from last year by 140 days to enable more proactive delivery of the Anti-Fraud and Corruption Strategy, Money Laundering risk assessments and to support the Risk Management Framework activity;
- The remaining 100 days are available to deliver the other services provided by NAS.

Recommendations

1. To consider and agree: -

- **The effectiveness of the system of internal audit including internal audit's strategy, plan for the first quarter 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 Vision, Strategy, the approach to developing the Audit Plan for 2024-25 and the outline Audit Plan for 2024-25. This is supported by the 'Days Available to Deliver other NAS Services 2024-25 (Appendix A) and 'Days to deliver to external clients' (Appendix B). Appendix C details the IIA's top risk areas (hot topics) and considerations from Risk in Focus 2024 and their new topical requirements which have been and will continue to be considered as we develop the full audit plan for 2024-25 (Appendix C)**
- **the outline Audit Plan for 2024-25 (Appendix D) which is considered to deliver sufficient scope for the above assurances.**
- **That the arrangements are compliant with all applicable statutes and regulations, including safeguards in place to limit impairments to independence and objectivity for the roles of the Chief Internal**

Auditor (described at paragraph 2.29 and 2.34 of this report), and any other relevant statements of best practice.

1. Background and Purpose

- 1.1 The Vision, Strategy and plan are implemented to fulfil the Accounts and Audit Regulations (England) 2020 (As amended), section 17 of the Crime and Disorder Act (1998), the UK Public Sector Internal Audit Standards and other guidance and regard paid to the 'Core Principles' for the Professional Practice of Internal Auditing and our Code of Ethics. These are described in more detail in the technical notes in **Appendix E**.

2. Proposals

- 2.1 The Committee are recommended to consider and agree the recommendation above. The key messages are as follows: -

Our Internal Audit Vision

- 2.2 Our vision is, **'To bring best value, insights and assurance for continuous improvement'**.

- **'Best Value'**, is a statutory duty on the Council. The Government intends to publish guidance on the characteristics of best value. We aim for best value within the service and to promote it in the work we do.
- **'Insights'**, are relevant advice to support and inform the business
- **'Assurance'** confirms the adequacy of risk management, internal controls and good governance.
- **'Continuous Improvement'**, is part of the best value duty.

Our Internal Audit Mission

- 2.3 Our mission, in Norfolk Audit Services (NAS), is to enhance and protect the Council's value by providing risk-based and objective assurance, advice and insight, while fulfilling the statutory requirements for assurance on the Council's Internal Control and Risk management (Accounts and Audit Regulations 2015, as amended) and relevant standards. We will also add value through associated services and

advice, including; Risk Management reporting, Anti-Fraud and corruption, and Money Laundering Reporting Officer work.

Our Strategy

- 2.4 We will position ourselves to support Better Together for Norfolk through our planning, consideration of scoping, delivery and reporting of our work.
- 2.5 We will be emphasising relevance, adding value and making a difference by focusing on the Council's highest risks:
- Our planning process is risk focused. Conversations with Executive Directors, Assistant Directors and key senior managers incorporate discussions on where the current risks are within the Directorate's departments and what NAS can do to provide assurance. Corporate and Departmental risk registers were reviewed to support this.
 - We have considered the top global risks from the IIA Risk in Focus, hot topics for Internal Auditors 2024-25 which are described in **Appendix C**. Further work will take place to map them to the Council's Risk Register and to our audit plan. As part of our ongoing assurance mapping work, we will identify other sources of assurance to ensure that there is comprehensive coverage across the themes.
 - The IIA's International Professional Practices Framework (IPPF) (para 1.6 refers), which is not yet mandatory, introduces new terms and concepts that includes topical requirements. Topical requirements may be become mandatory under the PSIAS.
 - The IPPF is currently considering eight risk area topics as topical requirements and if approved these would become available for use after the new global Internal Audit Standards launch (expected early 2025). These eight risk areas are included in **Appendix C**.
 - Assessing Organizational Governance
 - Cybersecurity
 - Fraud Risk Management
 - Information Technology Governance
 - Privacy Risk Management
 - Sustainability: Environmental, Social & Governance
 - Third-party Management
 - Public Sector-specific: Performance Audits

Our key strategies and tactics

- 2.6 To achieve the vision and mission above the Critical Success Factors are: -
- Securing our workforce development and resources medium term plan. Having adequately skilled and knowledgeable staff and audit resources will help to raise the internal audit function's professionalism and performance
 - Maintaining and strengthening the role of trusted advisor. Auditing collaboratively with departments and stake holders will improve the quality and value of internal audit services
 - Focusing on the Council's highest risks, both corporately and departmentally will provide comfort to stakeholders that critical elements are addressed within a particular audit area
 - Maintaining efficient and effective audit processes which conform with UKPSIAS, with periodic reviews as described in the Technical Notes at **Appendix E**
 - Developing and leveraging data analytics approaches where appropriate
 - to support the Devolution agenda
 - adopt new approaches to support agile auditing
 - Developing and leveraging root cause analysis
 - Aligning our work to provide assurance for the new ISA (UK) 315 (revised July 2020) – Identifying and assessing the risks of material Misstatement, relevant for the Council from 1 April 2022; and
 - Assurance Mapping for Corporate Risks.
- 2.7 Our workforce development plan reflects that there have been several staff changes in the team during the past six months and we are recruiting to vacancies with the option to engage contractors where appropriate.
- 2.8 The resource of 1,702 days is an estimate based on a new team structure agreed by the NAS management team in February 2024 and assumes all vacancies within the agreed structure will be filled following the current recruitment campaign.
- 2.9 The service adapts to the requirements and context of the Council's vision, local government governance, regulations and best practice. Best Value informs the strategy and deployment for staffing.

- 2.10 For the Council's audit work, recognising that there are currently some vacancies and some may not be replaced like for like, the team is as follows:
- The NAS team is led by the Chief Internal Auditor
 - The team comprises two Principal Client Managers
 - One Client Manager
 - One Trainee Internal Audit Manager (Apprenticeship)
 - Three Senior Auditors (one vacant); and
 - One Trainee Auditor (Apprenticeship).
- 2.11 In addition, the wider NAS team includes a qualified Organisational Risk Management Officer and Organisational Counter Fraud and Corruption Lead, as well as the France Channel England Interreg VA Programme Audit Authority team.
- 2.12 Staff work a variety of work patterns and hours. We also use the services of agency staff and of outside contractors for our audits, when required, particularly for complex and specialist areas.
- 2.13 We are fully committed to supporting our members of staff within the Apprenticeship scheme. Historically 'growing our own team' has proved to be very successful in terms of enhancing team skills, qualifications and knowledge. Having trainee posts supports succession planning for the future and assists with staff retention.
- 2.14 During the past year we have had some staff changes:
- A principal Client Manager has left the team for an external post
 - A Senior Auditor has retired
 - A Senior Auditor left mid-January 2024 for an external post
 - The existing Principal Client Manager reduced her hours in September 2023
 - The Trainee Audit Manager was promoted to Client Manager following completion of exams and relevant experience.
 - The Risk Manager has moved into an Organisational Risk Management Lead role
 - The Investigative Auditor has moved into an Organisational Counter Fraud and Corruption Lead role.
 - A new role of Counter fraud support officer is being developed.
- 2.15 At the time of writing this committee report we have a Principal Client Manager vacancy being advertised, a Senior Auditor vacancy and are working up a new post of Counter Fraud Support Officer. The intention is to have a Principal Client Manager in post by early summer and a

Senior Auditor and Counter Fraud Support Officer in post by early Autumn.

- 2.16 The Management team have agreed the team structure going forward and are also looking how best to increase the number of audit days to support the Anti-Fraud and Corruption and National Fraud initiative work.
- 2.17 Team training is provided throughout the year as and when relevant topics are needed. Staff undertake the required NCC mandatory training and other training to support their roles, including:
- To continue to improve, serve the Council and drive best value
 - How to handle situations where fraud/unethical acts may be suspected
 - Developing a network of sector experts to consult/share with
 - Developing contacts with other key governance/performance colleagues and how we share information
- 2.18 We are maintaining and strengthening the role of trusted advisor. Trusted advisors are likely considered credible, reliable and understanding others. Being credible means knowing your field of expertise and giving honest and objective advice. Being reliable is about doing what you say you will do, being available, trying to anticipate and exceed expectations. Understanding others means getting to know those you work with and respecting their views.
- 2.19 Audit Managers seek to work closely with departmental management teams and Finance Business Partners to ensure that audits add value, are efficient and effective and that any agreed action plans are followed through. Internal Audit are available to provide advice to Executive Directors on controls and risk management. We will be seeking more detailed feedback on what's working, what's not and what we can improve.
- 2.20 We are focusing on the Council's highest risks, both corporately and departmentally.
- 2.21 We will incorporate any work that may be needed to support the Devolution agenda.
- 2.22 We are maintaining efficient and effective audit processes which conform with UKPSIAS, with periodic reviews as described in the Technical Notes. We will implement the appropriate new standards arising from the Global IIA Standards review, where adopted by the UK Public Sector regulator. Our priorities for 2024-25 will continue to focus

on the actions within our Improvement Plan that is derived from our Quality Assurance and Improvement Plan. This was informed through our external quality assessment review. We will ensure a quality assurance function to continuously challenge the effectiveness of our work through cold file reviews and Manager reviews.

- 2.23 We will continue to adopt new approaches to support agile auditing such as 'audit sprints', 'audit huddles' within the team and with clients to seek further efficiencies in our work.
- 2.24 We are developing and leveraging data analytics approaches where appropriate. We will continue to deliver our data analytics strategy which was presented to the committee in October 2023. This includes the use of PowerBI and spreadsheets to analyse data and visualise results in graphic form. Our Terms of Reference detail that we will consider how we can make use of data analysis in our audit testing. All the Executive Directors have approved ongoing access to data in all the County Council systems for data analytical purposes for our audit, anti-fraud and wider analytical review work.
- 2.25 Developing and leveraging root cause analysis will feature in in our planning, our work and reporting. The team will have training in understanding, recognising, analysing and reporting on the root causes of exceptions.
- 2.26 As a result of the new ISA (UK) 315 Internal Audit's work may come under increased scrutiny. External auditors are now required to obtain more detailed information so that they can understand and evaluate the Council's system of internal control. External audit reporting may therefore include more recommendations relating to controls. We will consult with our external auditors how we can most efficiently assist management in responding to requests for control documentation. This may include pre-audit assessments of controls, so that everything is in order before the external audit. Financial controls and the IT control environment are significant areas to be covered.
- 2.27 We will continue the work on developing assurance mapping to help inform our audit planning.
- 2.28 We will enhance the Anti-fraud and Corruption work within the team by introducing a new role of Counter Fraud Support Officer to support the Organisational Counter Fraud and Corruption Lead to allow more delivery on the strategic and preventative side of the role as well as implementing a counter fraud case management system.

- 2.29 We will consider training, or third-party support where appropriate to deliver the audit strategy and plan. Additionally, we will review the areas in our audit delivery to identify whether any audit efforts could be automated, improved, and/or enhanced by technology, using the opportunity to learn from internal audit leaders elsewhere about advances they have made.
- 2.30 We will also be reviewing the impact of our shortened audit reporting and ascertaining whether any further improvements can be made.

Measuring our success – Benefits Realisation

- 2.31 We will seek to measure our business outcomes from these projects as well as the outputs. Together these enable and deliver our business benefits. Our business outcomes are the value, benefit or use created as a result of the successful completion of that project which changes the service in a meaningful way. Examples being the implementation of Agile Auditing or Data Analytics. Our business outputs could be new services or new systems being adopted. Examples are schools' audits and adopting a new Counter Fraud Case Management System.
- 2.32 For each of our strategic objectives we will Identify the projects and desired outcomes and outputs. These will guide the project execution and establish how the results will be sustained. We will establish targets, deadlines, and responsible owners for each activity above. Changes to processes, procedures and practices will mean establishing expectations regarding required behaviours, having the right project managers in place, with senior-level sponsorship.

Our approach to developing the Audit Plan for 2024/25

- 2.33 The approach is described in two parts; The requirements from the service and then the planning process to deliver those requirements.

A: The requirements

- 2.34 In accordance with UK PSIAS the Chief Audit Executive, the Council's Chief Internal Auditor (CIA), must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the Council's goals.

- 2.35 The Section 151 Officer has a duty to consider the adequacy of the internal audit coverage. Our audit plan is discussed with the Section 151 Officer, the Director of Strategic Finance.

Priority 1 - Risk Management – including safeguards

- 2.36 The CIA has management responsibility for the corporate risk management system, but the Executive Directors and the Director of Strategic Finance are the risk owners.
- 2.37 The Audit Committee must approve and periodically review the safeguards put in place to limit any impairments to independence and objectivity in drawing a conclusion on the adequacy and effectiveness of the risk framework. These safeguards are that: -
- The Council has a qualified Organisational Risk Management Lead Officer
 - The function undertakes nationally recognised benchmarking and reports this to the Committee
 - The External Auditor reviews the AGS, which includes the effectiveness of risk management.
 - In kind with the requirements for external review of the internal audit function in each five-year period, an external review of the Risk Management Framework took place in 2020/21.

Priority 2 - Governance

- 2.38 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.
- 2.39 The Government has consulted on the development of Statutory Guidance for Best Value. We are awaiting publication of the final guidance.

Priority 3 - Internal Control

- 2.40 Our audit opinion work is designed to enable us to provide the required opinion on the adequacy and effectiveness of the Council's framework of control, including having regard to value for money. The definition and scope of value for money is set out in the NAO AGN3 note to our external auditors, covering; financial sustainability, governance and improving economy, efficiency and effectiveness.

Priority 4 - Counter Fraud and Corruption work and Whistleblowing Management

2.41 Our Counter Fraud and Corruption and Whistleblowing management work is led by the Organisational Counter Fraud and Corruption Lead. That work supports the Fighting Fraud Locally agenda and implements the Council's Anti-Fraud and Corruption and Whistleblowing policies. This includes:

- Implementing and developing the Norfolk County Council Anti-Fraud and Corruption Policies and Procedures: These policies provide a framework for detecting, reporting, and investigating fraud within the Council
- Fighting Fraud and Corruption Locally (FFCL) for the 2020's: Implementing and developing the vision and strategy as recommended by the FFCL board and endorsed by government
- Applying Relevant Legislation: Developing compliance with relevant laws and regulations related to fraud and corruption, such as the Bribery Act 2010 and the Fraud Act 2006
- Training and Awareness: Developing and implementing training and awareness activity for staff to understand the importance of fraud prevention, detection and reporting; and
- Investigation and Enforcement: When fraud or corruption is detected, carrying out thorough investigations and works with law enforcement agencies for prosecution where necessary.

Priority 5 - Money Laundering Reporting Officer (MLRO)

2.42 The Council's Financial Regulations include that the Chief Internal Auditor is the MLRO and the Investigative Auditor is the Deputy MLRO. The Audit Committee must approve and periodically review the safeguards put in place to limit any impairments to independence and objectivity in drawing a conclusion on the adequacy and effectiveness of this function These safeguards are that: -

- The Council has a qualified Anti-Fraud Specialist
- The function will undertake nationally recognised benchmarking and report this to the Committee

- The Section 151 Officer has overall responsibility and reports to the Committee quarterly and annually
- In kind with the requirements for external review of the internal audit function in each five-year period, an external review of the MLRO Framework will take place by 2027.

B: The planning process

- 2.43 The audit planning process for 2024-25 has been performed, at this stage, at a high level, as explained in 2.12. The process includes each of the five priorities set out above. Areas for audit assurance and topic themes have been identified as detailed in the following sections, but detailed plans of individual assurance audit topics and themes have not yet been fully developed. These will be developed through individual terms of reference for each audit topic with the relevant Audit Sponsors. See Technical Notes at **Appendix E**.
- 2.44 The Chief Internal Auditor continually assesses audit coverage throughout the year to ensure it is comprehensive to be able to provide a yearend opinion on the overall control environment.
- 2.45 The first quarter of 2024-25 will largely be completing the 2023-24 quarter 4 audits that commenced later in the year (as is usual practice) and then work will commence on the priority audit topics/themes identified for 2024-25 (**Appendix D**).
- 2.46 The Principal Client Manager has met with the Chairman and Vice Chairman of the Committee as part of the planning process and has updated them on resources and the approach taken this year to date whilst we recruit to our vacancies.

The Council's Vision, Strategies and Plans

- 2.47 Our planning has had regard to the Council's published strategy 'Better Together, for Norfolk' and the Corporate Delivery Plan.

Risk Management processes

- 2.48 We reviewed the Council's risk management system at a high level to determine if we could rely on the risk assessments performed, resulting in the corporate and department risk registers in place, or whether we

needed to complete our own risk assessments for planning purposes. We concluded that we could rely on the risk assessments based on our own professional knowledge of what an adequate and effective risk management system looks like.

- 2.49 The Council has a corporate risk register in place and departmental risk registers are in place for all departments. Service risk registers are in place within each department.
- 2.50 The annual report for Risk Management 2022-23 states that 'The Council's system of Risk Management during 2022-23 was sound, adequate, and effective in accordance with the requirements of the Accounts and Audit (England) Regulations 2015.'
- 2.51 The annual report further states that 'Sound' is taken to mean that adequate governance, reporting, and assurance structures are in place to manage the risks to the Council's objectives. This was determined from the results of the Benchmarking Club, looking at evidence-based performance results against other councils.'

Audit Universe

- 2.52 Assurance Mapping of corporate risks took place during 2023-24 using the three lines of assurance model. Corporate risks are considered when assessing the audit universe.
- 2.53 Further detailed mapping of some of the red and amber rated corporate risks was undertaken and discussed with the Executive Leadership Team. It is anticipated that this work will be further developed during 2024-25.
- 2.54 We have considered the top global risks from the IIA Risk in Focus, hot topics for Internal Auditors. Further work will take place to map them to the Council's Risk Register and to our audit plan. As part of our ongoing assurance mapping work, we will identify other sources of assurance to ensure that there is comprehensive coverage across the themes. We have also considered the IIA's new Topical Requirements when assessing the audit universe and determining audit topic areas.

Norfolk Devolution Deal

- 2.55 During 2024-25 there will likely be required input from NAS in respect of the Norfolk Devolution Deal. There are different strands to the deal and

internal involvement is currently anticipated in respect of adult education devolution.

- 2.56 During quarter 4 of 2023-24 we have considered the requirements and responsibilities of Internal Audit teams that are framed within the Adult Education Budget Devolution readiness: self -assessment evidence checklist as published by the DfT. Under the wider County Deal agreement, the Government will fully devolve the AEB to NCC for the academic year 2025-26 onwards providing the readiness criteria are met. Upon devolution NCC will be responsible for making allocations to providers and meeting all statutory requirements and responsibilities around this devolved funding. This project is being managed by the Strategy Manager Adult Education Budget (AEB). A high level desk top review is currently being undertaken in quarter 4 2023-24, the results of which will be reported to this Committee. The 2024-25 audit plan will include advisory internal audit days to support the AEB devolution project as it develops through its phases towards implementation.

Senior management consultation

- 2.57 We met with some Directors and other senior and key managers to discuss the key issues facing the department or service to determine the topics for which they wanted assurance on for the 2024/25 Audit Plan. We discussed their corporate and departmental risks with them as well. These meetings will continue to take place during quarter 4 to enable us to present a more detailed audit plan for the remainder of the year.
- 2.58 We also considered concerns from Executive Directors, inspection and committee reports, the Audit Report from the External Auditors, matters discussed with other Heads of Internal Audit, as well as applying our own professional judgement, audit knowledge and experience in devising an appropriate audit plan. Audit requirements were also discussed with the Chairman and Vice Chairman of the Audit Committee.

The Audit Plan 2024/25

- 2.59 The audit plan is achieved through considering the budget, the staffing establishment, calculating the days that are available, considering the audit assurance areas to cover, leading to the opinion days that are available.

NAS Budget

- 2.60 The gross budget for the service is £835k, that includes £787k of employee related expenditure. The service generates income of £190k. The net cost of the service is £645k.

Days available 2024-25 (2023-24 equivalent in brackets)

- 2.61 The total days available to deliver all the services provided by NAS is circa 1,702 (2,065) based on a full contingent of staff within the new team structure. This equates to an average cost of £380 per day delivered. Of this 442 (723) days are to deliver the services to external clients (see **Appendix B** for more details).
- 2.62 Of the remaining circa 1,260 (1,342) days available 625 (474) are to deliver the services to internal clients (non-opinion work) (see **Appendix A** for more details) and 635 (868 days in 2023-24) are available to deliver the **audit opinion work**. This will be supplemented by engaging contractors where that represents best value. This is deemed sufficient to provide an opinion on the adequacy and effectiveness of the Council's framework of internal control.

Audit Assurance Areas

- 2.63 **Appendix C** shows the audit assurance and top risk areas that have been been/will be considered as part of our ongoing planning for the 2024-25 audit plan. As described above these assurance areas are based on corporate risk registers, IIA risk in focus top risks, IIA topical requirements and professional knowledge and experience.

Audit opinion days

- 2.64 The outline internal audit plan for 2024/25 (for audit opinion work) in 2024-25 is presented at **Appendix D**. Our audit opinion work produces audit reports, which include agreed actions for improvements in internal controls.
- 2.65 Our audit findings are categorised into high, medium and low priority. Action plans are agreed with management to mitigate risks for all findings. We assign overall opinions to our audit work of 'Acceptable – green rated' or 'Key issues to be addressed – red or amber rated'. We also assess the corporate and departmental significance of the audit. Significant findings are followed up.

- 2.66 All recommendations agreed for medium and high priority findings are followed up during the audit year by the NAS Team; a number of days is allocated in the Audit Plan for this management assurance work. Full follow up audits are undertaken for audits rated Key Issues red.

France Channel England (FCE)

- 2.67 The Audit Authority works to its own Audit Strategy, which was formally refreshed in early 2023 and was endorsed by the FCE Consultative Audit Group. The Audit Strategy ensures that the Audit Authority fulfils the expectations and meets the requirements laid out in EU Regulations.

Performance

Key Performance Indicators (KPIs)

- 2.68 The NAS Management Team monitor performance and targets. KPIs are reported to the Committee either quarterly or annually.

Public Sector Internal Audit Standards (PSIAS)

- 2.69 Our 2022 external quality assessment (EQA) highlighted that we are in 'conformance with the Standards'. A detailed report of this outcome and our recommendations and improvements was shared with Committee as part of our Annual Report in July 2023. The NAS Management Team are responsible for ensuring that conformance with the PSIAS is maintained.
- 2.70 All audit work is subject to a review prior to the issue of the report. The CIA is consulted on the scope of audits and reviews reports (except for schools and grants).

3. Impact of the Proposal

- 3.1 The Accounts and Audit Regulations 2015 (as amended in 2020) require that, from 1 April 2015, the Council must ensure that it has a sound system of internal control that meets the relevant standards. The responsibilities for Internal Audit are set out in the Financial Regulations which are part of the Council's Constitution. Internal Audit follows appropriate standards (the PSIAS).
- 3.2 A sound internal audit function helps ensure that there is an independent examination, evaluation and reporting of an opinion on the

adequacy and effectiveness of internal control and risk management as a contribution to the proper, economic, efficient and effective use of resources and the delivery of the County Council's five priorities as set out in the County Council's strategy, 'Better Together, for Norfolk' and the associated Corporate Delivery Plan.

3.3 The internal audit plan will be delivered within the agreed NAS resources and budget.

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

4. Evidence and Reasons for Decision

4.1 Not applicable.

5. Alternative Options

5.1 There are no alternative options, that are considered to meet the relevant regulations.

6. Financial Implications

6.1 The expenditure falls within the parameters of the Annual Budget agreed by the Council. Our work provides assurance on the systems and internal controls that manage the councils spend of £1.518 billion on our priorities, which includes the capital programme of £538m for 2021-25.

6.2 The costings for NAS remain unchanged and no savings are proposed for 2024/25. The overall resourcing levels remain unchanged providing we are able to recruit to our current vacancies. We continue to provide traded audits to schools, however if new opportunities for traded services arise, these will be risk assessed and determined based on the current resource and priorities of the team.

6.3 There is a contribution to the fixed costs from the FCE Programme Technical Assistance. All costs incurred in delivering the audit authority function in 2024-25 are now recovered from the Member States, such that the resources can be back filled, where necessary.

7. Resource Implications

7.1 **Staff/Property/IT:** There are no implications.

8. Other Implications

8.1 **Legal 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 Council to inadequate internal audit coverage and in turn to the risk of financial or reputational loss.

8.2 There are no other implications.

9. Risk Implications/Assessment

9.1 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.
- The CIA may not be able to provide an opinion due to insufficient audit work being completed.

10. Select Committee comments

10.1 Not applicable.

11. Recommendations

11.1 See Recommendations in the Executive Summary.

12. Background Papers

Internal Audit Terms of Reference (Charter)
Section C Financial Regulations

Officer Contact

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

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

Other Services to Internal Clients

The table below details the other services (625 days for 2024/25) we deliver to internal clients within the new team structure.

- Provision of the Risk Management Strategy including servicing of Committees in respect of risk management (251 days)
 - Our Organisational Risk Management Lead proactively supports Directorates in identifying and managing their corporate and departmental risks
- Provision to undertake investigations where requested to do so by Executive Directors, the Committee Chairman; and Delivery of the Anti-Fraud and Corruption Strategy including preliminary assessments and investigations, managing the Council's Whistleblowing Policy and Procedures and managing the Council's Money Laundering Policy and procedures (274 days)
 - To deliver professional and objective evidence-based reports to assist with effective and efficient disciplinary or criminal proceedings. Our staffing strategy includes an investigative auditor role
 - We review, with the Chief Legal Officer, the Anti-Fraud and Corruption Strategy on an annual basis, update it as necessary and present it to the Audit Committee.
 - A performance report with respect to Anti-Fraud and Corruption is made to the Audit Committee half-yearly. We provide advice in respect of allegations and undertake preliminary assessments into fraud, support disciplinary review action groups and undertake investigations.
 - We undertake preliminary assessments into whistleblowing disclosures and commission / undertake investigations and maintain the log of disclosures.
 - We will consider Money Laundering reports and report them where appropriate.
- Reporting to the Committee, quarterly and annually (12 days)
 - Production and delivery of reports to a professional standard.
 - Attendance at all meetings by the appropriate officers
- Delivery of the Annual Governance Statement to the Committee (25 days)

- Delivery of the Annual Governance Statement ensuring adequate and timely consultation with appropriate senior officers and members.
- Provision of assurance to the Director of Strategic Finance, the Section 151 Officer, with respect to the systems of governance/internal control and risk management throughout the authority and the Joint Committees (33 days)
 - Consideration of all aspects of governance, internal control and risk management throughout the authority or joint committee and arrive at a reasoned opinion.
 - Consideration of all risks included in the Corporate Risk Register as part of the risk based internal audit approach.
 - Demonstration of how corporate risks in the Corporate Risk Register are considered and covered in the annual audit plan and the sources of assurance available to ensure all corporate risks are adequately considered and have sufficient internal audit coverage.
 - Reporting this to the Director of Strategic Finance, the Section 151 Officer and the appropriate committees.
 - National Fraud initiative collection and analysis of data in respect of the most recent exercise.
 - Follow up of audit recommendations.
- Provision of advice and assistance with respect to Internal Control to the Executive Leadership Team and other Senior Officers. We provide advice on new systems and answers queries in respect of internal control (30 days)

Delivery to External Clients

The services NAS delivers to external clients (442 days for 2024/25) are:

- Provision of an Internal Audit Service to Schools – traded audits (100 days)
 - The strategy for auditing schools from April 2012 was agreed with the Committee.
 - We offer a full traded audit to maintained schools.
- Provision of advice and assistance to other external clients (8 days)
 - Provision of advice and assistance with respect to the Annual Governance Statement 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 completed quarterly, half yearly or annually (70 days)
 - We provide this service on the required charges basis or at full cost recovery, which enables us to absorb the cost of all or some of our senior management and other overheads.
 - Grant certifications include LGA grants, one external client and other UK government grants, plus the 16-19 EFSA grant funding work for schools for the S151 Officer.
- Provision of the Audit Authority for the France Channel England programme (180 days)
 - We provide these services on a full cost recovery basis.
- Provision of an Internal Audit Service to the Norfolk Pension Fund (84 days)
 - 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.

Institute of Internal Auditors top risk areas from Risk in Focus 2024 and their new Topical Requirements

NAS will actively consider and incorporate the risk areas and topical requirements below into our audit planning for 2024-25. This consideration has already commenced and will remain a focus whilst we develop the whole years plan.

IIA Risk in Focus 2024 hot topics are:

- Cybersecurity and data security
- Human capital, diversity, talent management and retention
- Change in laws and regulations
- Macroeconomic and geopolitical uncertainty
- Business continuity, operational resilience, crisis management and disasters response
- Digital disruption, new technology and AI
- Climate change, biodiversity and environmental sustainability
- Supply chain, outsourcing and 'nth' party risk
- Market changes, competition and changing consumer behaviour
- Financial, liquidity and insolvency risks
- Organisational governance and corporate reporting
- Organisational culture
- Health, safety and security
- Fraud, bribery and the criminal exploitation of disruption
- Communications, reputation and stakeholder relationships
- Mergers and acquisitions

IIA New Topical Requirements – Auditors are not required to include topical requirements in the audit plan; however, we will give consideration to them. Where a topical requirement is deemed relevant to include in the audit plan, it will become mandatory to demonstrate conformance with the topical requirement when executing the testing specific to the audit topic/engagement. It should be noted that the IIA are still developing topical requirements and the following areas are draft topical requirements at present:

- Assessing organisational governance
- Cyber security
- Fraud risk management
- Information technology governance
- Privacy risk management
- Sustainability: environment, social and governance
- Third-party management
- Public sector-specific: performance audits

Outline Internal Audit Plan for 2024-25

There are 635 days for audit opinion work in 2024-25

As highlighted in the main body of this report in section 2.19 Audit Resources and section 2.44 Planning Process we have not presented a detailed plan for the first half of the year as we normally would. Instead, we have presented an outline audit plan.

The outline plan for the first quarter is as follows:

- Complete the delivery of the 2023/24 audits that's started late in 2023/24 (Q4)
- LGA and other grant certification work
- Postponed audit topics from the 2023/24 audit plan that were agreed to move into the 2024/25 audit year.

The following audit topics and themes have been identified through audit planning meetings, client liaison, hot topics and professional knowledge and have been included in the outline audit plan for 2024-25. These topics and themes in the outline plan will be risk assessed and worked up into audits once there has been time and audit resource to undertake more detailed planning and scoping of these audit topics and themes. This allows for flexibility around audit resources and supports efficiencies and productivity through ensuring each piece of work to be carried out is assessed and aligned to the higher risks faced by the council. All topics and themes will be risk assessed and the resources available to Internal Audit means that not every piece of work will be carried out. This is normal as the audit plan is usually oversubscribed.

In addition to the following audit topics and themes, the hot topics and topical requirements detailed in **Appendix C** will be incorporated into audit assurance work on a risk assessed basis.

Community and Environmental Services

- NFRS - Station Funds
- NFRS – Talent Management Process
- NFRS – Norse fire fleet follow up audit from 2023-24
- Equality Diversity and Inclusion- Race Equality – deferred from 2023-24
- Adult Education budgets
- Bus Back Better Funding
- Contract Management
- Environmental and climate change – desk top review
- Asset management/governance /property management/governance

Adult Social Services

- Care Market Sustainability and Provider Failure
- Recruitment and Retention

- Safeguarding Adults
- NHS Funding of Adult Social Care

Children's Services

- School attendance and Synergy system: advice to inform system requirements ahead of re-procurement – Quarter 1
- Working in a multi-agency and multi-disciplinary environment: assurance that we have developed effective operational practices and the right infrastructure to get the most of this approach.
- Local First Inclusion programme: Assurance that the new practices are having an impact and constitute Value for Money
- Schools provision - Mapping of existing support to school and assurances across NCC to inform internal audit approach going forward – Quarter 1
- SEND: Assurance health check on the effective use of SEND provision – Quarter 4 and Thematic Schools audits x 2
- Home to School Transport – sprint 2 of 2023-24 audit Q1

Finance Directorate

- MyOracle HR/Payroll/finance – end to end process (including ISA 315 work)
- Payroll – policy to payment (potentially include recruiting from abroad)
- Treasury Management – Prudential Code
- Company (LATCo) governance
- High Needs Block budget – check what CHS may have included
- MyOracle Control accounts and Reconciliation follow up audit 2023-24
- VAT payroll Audit
- MyOracle – budget monitoring and reporting (deferred 2023-24)
- Demand Led Budgets (deferred 2023-24)

Strategy and Transformation

- Self Service in myOracle
- Statutory Best Value Guidance
- HR Onboarding and User Experience
- County Deal Devolution
- Artificial Intelligence -Understanding, Adopting and Adapting
- NCC Website and MyNet Content Management and Authorisation linked to Accessibility standards
- Additional Payments to Staff – follow up audit from 2023-24
- Handover of MyOracle to IMT (deferred 2023-24)

Chief Executives Office

- None at present

Technical Notes

- 1 Accounts and Audit Regulations (England) 2020 (As amended)
- 1.1 Under these regulations, the County Council ('the Council') 'must ensure that it has a sound system of internal control which (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk.
- 1.2 Also, the Council 'must, each financial year (a) conduct a review of the effectiveness of the system of internal control' and '(b) prepare an annual governance statement.'
- 1.3 In addition, the Council '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', described below.
- 1.4 The Council has a duty to ensure value for money in its use of resources and the Council's External Auditors comment on that as part of their audit of the Statement of Accounts.

UK Public Sector Internal Audit Standards and other guidance

- 1.5 Our audit strategy and plans respect relevant standards. CIPFA, in collaboration with the Chartered Institute of Internal Auditors (CIIA) has produced the [UK Public Sector Internal Audit Standards \(PSIAS\)](#) which came into force on 1 April 2013 and latest revised version is dated, 1 April 2017. The UK Public Sector Internal Audit Standards are based on global standards set by the Institute of Internal Auditors.
- 1.6 It should be noted that 9th January 2024 the Institute of Internal Auditors published new global standards, the IIA's International Professional Practices Framework (IPPF), which, when adopted for UK Public Sector use, will likely have implications for the way Internal Audit operate and for how the Committee are expected to engage with Internal Audit. The revised standards are due to take effect 12 months after release, that is to say 9 January 2025. Once the adopted version of the global IIA standards are known, changes will be made to the PSIAS and CIPFA will issue guidance and further information. We will plan for the changes and differences to be incorporated into our team working once they are agreed and implemented and will report back to the Audit and

Governance Committee on any significant changes and progress with implementation.

1.7 The updated Global Internal Audit Standards, which include principles to guide the Chief Audit Executive (CAE) in planning an overall strategy. Principle 9, as outlined in the new Standard 9.2 Internal Audit Strategy, mandates that the CAE must "develop and implement a strategy for the internal audit function" that "supports the strategic objectives and success of the organization and aligns with the expectations of the board, senior management, and other key stakeholders," and includes "a vision, strategic objectives, and supporting initiatives for the internal audit function." Lastly, the CAE must periodically review the strategy with senior management and the board.

1.8 CIPFA, in collaboration with the CIIA, also published in April 2013 the [Local Authority Guidance Note \(LAGN\)](#) for the Standards, which remain current until replaced. CIPFA have also published guidance on the 'Role of the Head of Internal Audit'. Guidance has been issued by the IIA on approaches to [remote auditing](#).

1.9 Guidance is available on Risk Management, Money Laundering Reporting Officer duties and Anti-Fraud arrangements.

2 Crime and Disorder

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.

3 The 'Core Principles' for the Professional Practice of Internal Auditing

We must also achieve the 'Core Principles' for the professional practice of Internal auditing in our work which, taken as a whole, articulate internal audit effectiveness. Failure to achieve any of the 'Core Principles' would imply that an internal audit activity was not as effective as it could be in achieving Internal Audit's mission. The 'Core Principles' are:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement

- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused
- Promotes organisational improvement

4 Code of Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics in UK PSIAS, which is based on four principles: integrity, confidentiality, competency and objectivity. We also have regard to the Committee Standards of Public Life's, 'Seven Principles of Public Life'. and the Leading in Practice: report - GOV.UK
<https://www.gov.uk> › Government › Public services.

Our own Code of Ethics is based on best practice, the CIPFA publication "[Code of Ethics for Professional Accountants](#)" (2011) which is compatible with the UK PSIAS and incorporates elements of the 'Seven Principles of Public Life' where these are additional to the principles in the CIPFA publication and the UK PSIAS's Code of Ethics.

5 Planning Requirements

In developing our risk-based plan, we must consult with senior management and obtain an understanding of the Council's Vision, strategies, key business objectives, associated risks and risk management processes and the plan must be reviewed and adjusted as necessary, in response to changes in the business, risks, operations, programmes, systems, and controls. Our approach to this is detailed below.

Our audit plan must incorporate or be linked to a strategic or high-level statement of how our service will be delivered and developed in accordance with our Terms of and how it links to the Council's objectives and priorities (this is shown in our outline Audit Plan topics and themes 2024/25 in **Appendix D**).

In addition, the internal audit activity must evaluate and contribute to the improvement of the organisation's governance, risk management, and control processes using a systematic, disciplined, and risk-based approach.

The risk-based plan must also consider the requirement to produce an annual internal audit opinion and report that can be used by the Council to inform its Annual Governance Statement (AGS) and must conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control (including value for money). We detail below in 2.31 to 2.36, how each opinion on the overall adequacy and

effectiveness of the Council's framework of governance, risk management and control is derived.

6 Audit topics and themes

Audit topics and themes have been generated from:

- Information and data in risk registers
- The Councils priorities
- The results of recently completed audit engagements or third party inspections
- High level discussions held with directorate DMT's and Senior Officers
- Horizon scanning and changes to/new legislation
- Information taken from other assurance processes within the Council.

The following factors are considered when assessing and selecting the audit work to be undertaken:

- **materiality** – in monetary terms, the relative significance or importance of a particular system or process to the County Council.
- **corporate importance** – the extent to which the County Council depends on the correct running of the system, whether for legal or regulatory requirements or to meet corporate priorities.
- **vulnerability** – the extent to which the system is liable to breakdown, corruption, loss, error etc.
- **organisational concerns** – the assessment of the risk to the organisation and the focussing of resources in response to that risk.
- due consideration to the **risks** related to ethics, fraud, information technology, third-party relationships, and non-compliance with regulatory requirements that may be tied to more than one service or directorate.

7 Efficient and effective audit processes which conform with UKPSIAS

We continue to review our ways of working to increase the turnaround of audit work, so that more reports are issued within a reasonable timeframe and by improving the level of critical thinking within audit work, to increase the value of the end product.

We continue to develop the adoption of agile auditing sprints to quickly and effectively determine the best route for complex audits topics as breaking them down into sprints allows agreed stop and start points at key stages so timely agreement can be reached on the benefits of progressing work further or not in terms of assurances.

We have made our audit reporting more efficient and timely by issuing a one-page audit report using Power Bi which only includes audit recommendations and the overall audit opinion.

Our processes continue to conform with UKPSIAS. Our recent external quality assessment in the winter of 2022 highlighted that we are in 'conformance with the Standards'. A detailed report of this outcome and our recommendations and improvements was shared with Audit and Governance Committee as part of our Annual Report in July 2023.

One area for further development a 'Cold File Review' process.

A 'cold file review' is the objective review of a completed audit assignment. The purpose of the review is to confirm that the auditor carried out the work meeting the relevant Ethical Standards, PSIAS and any specific legislative requirements. A cold file review should also consider whether the work has been carried out in accordance with the function's procedures and professional standards. Cold file reviews should be completed by a suitably qualified individual with appropriate independence and who has not been involved in performing any of the work. Once the review has been completed, the reviewer should report any non-compliance which has been identified and that an action plan has been agreed. The results of the cold file review and the action plan should be shared with those who undertook the audit work.

8 Staff Resources

Our Senior Auditors are AAT and ACCA qualified with fellow member of the ACCA. Our Trainee Auditor is part way through their Internal Audit Practitioner Apprenticeship level 4 qualification. Our Trainee Audit Manager has almost completed the Chartered Institute of Internal Auditors (CIIA) Internal Audit Professional Apprenticeship Level 7 qualification.

Our Client Manager and the Principal Client Managers are both ACCA qualified and Fellow members of the ACCA. The CIA is CIPFA qualified and a member of County Chief Internal Auditor Group Network (CCAN). The CIA and both Principal Client Managers are also members of the Home Counties Chief Internal Auditor Group (HCCIAG).

Our Organisational Risk Management Lead is qualified with the Institute of Risk Management, and chairs the non-affiliated East Midlands and East Anglia Risk Management Group.

Our Organisational Counter Fraud and Corruption Lead is an Accredited Counter Fraud Specialist (ACFS).

All staff are required to undertake continuing professional development (CPD) in accordance with professional body and NAS requirements.

9 Governance

The Council has its own Code of Corporate Governance based on the International Framework: Good Governance in the Public Sector, produced by CIPFA and the International Federation of Accountants (IFAC).

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

The AGS includes an appraisal of the key controls in place to manage the Council's principal governance risks and the effectiveness of systems and processes governing decision making and financial control. For the coming years AGS has been strengthened through the comparison of the new LATCo (Governance) guidance 2023 developed by the local government association local partnership commercial unit to our existing NAS governance self-assessment checklist/audit programme to identify strengthening and improvement areas.

Our role is to collate all the assurances from the Executive Directors and other staff members and any other information as required for the AGS and to draft the AGS for management approval before signature by the Leader of the Council. The scope of some of the audit opinion work we undertake contributes to the assurances given for the opinion in the AGS.

10 France Channel England Programme

The strategy has three main strands: audit of the systems, audit of the expenditure and audit of the accounts. The Audit Authority summarises the audit results in its Annual Control Report, which is submitted to the EC alongside the programme's annual accounts. The strategy for 2024-25 is being developed.

The work of the Audit Authority relates to the prior accounting year, similar to the work of external auditors, as it aims to support the opinion on the programme's accounts. The programme has now reached full flow of implementation. The programme has completed the project selection phase and the full 223 million € available have been allocated to live projects. The programme has started closing down completed projects and is preparing for the closure of the programme itself.

Implementation lasted until the legal deadline, which was 31 December 2023. The FCE Audit Authority is expected to submit its final Annual Control Report to the European Commission by 15 February 2025, although this deadline is also currently under discussion by the European Parliament, with the option of a full year extension. Once the final annual assurance package is submitted by the FCE programme bodies, the programme bodies will continue progressing the remaining programme closure activities, which include the implementation of legacy arrangements and engagement with the European Commissions on the content of the final reports submitted.

Audit and Governance Committee

Item No: 10

Decision making report title:	Norfolk Audit Services Quarterly Report for period ending 31 March 2024
Date of meeting:	30 April 2024
Responsible Cabinet Member:	N/a
Responsible Director:	Harvey Bullen, Director of Strategic Finance (Section 151 Officer), Finance Directorate
Is this a key decision?	No

Executive Summary

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

The 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.

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

The Council is alert to:

- recent local authority Public Interest reports; the risks, consequences and any lessons that can be taken for sustaining and or further strengthening governance, if required to meet new challenges,
- The Consultation on new Statutory Best Value Guidance, published by the Government in July 2023, progress to address the issues in Local Audit; and
- The publication, in January 2024, of the [Chartered Institute of Internal Audit's Global Standards](#) that the Public Sector Internal Audit Standards are based on.

Recommendations

To consider and agree: -

- The opinion on the overall adequacy and effectiveness of the County Council's framework of risk management, governance and internal control, for the quarter ending 31 March 2024, is 'Acceptable'.
- The progress on the Audit Plan 2023-24, which will deliver sufficient scope for the required assurances.
- The audit service provided by NAS continues to conform with the relevant standards.
- That plans are in place to ensure the internal audit team collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the NAS Terms of Reference (Charter), as described at paragraph 2.6
- That the Committee is aware of the Adult Education Budget (AEB) devolution project, including the risk and auditing requirements, described at paragraph 2.16.
- That the Committee continue to review information on the effectiveness of the management processes and corporate control functions (legal, financial, information, health and safety and human resources services performed) as provided by internal audits, self-assessment, customer feedback and any existing external performance reviews.

1. Background and Purpose

- 1.1 The Council must undertake sufficient internal audit coverage to comply with the Accounts and Audit Regulations (England) 2015, as amended. The allocation of audit time is based on a risk assessment, and this is continuously reviewed throughout the year.
- 1.2 On 13 March 2023 the Committee approved the Internal Audit Strategy, Approach and Audit Plan for 2023-24. The Internal Audit Strategy, the approach to developing the Audit Plan for 2023-24 and the first six months of the Audit Plan for 2023-24, supported by the 'Days Available to Deliver NAS Services 2023-24 and the 'Detailed Audit Plan for the first six months of the Audit Year 2023-24 and that this work will deliver sufficient scope for the above assurances required. The second half of the year audit plan was approved by the Committee in October 2023.
- 1.3 This report supports the remit of the Committee in providing proactive leadership and direction on audit governance and risk management issues. The purpose of this report is to update the Committee on the progress with the delivery of the internal audit work, the value added and to advise on the overall opinion on the effectiveness of risk management and internal control. The report sets out the work to support the opinion and any matters of note.

2. Proposals

2.1. The key messages are as follows: -

Opinion

This quarterly NAS report confirms that the overall opinion on governance, internal controls and risk management remains 'Acceptable'.

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

2023/24 Opinion work

- **Appendix A** details the final reports issued in the quarter ending 31 March 2024.
- **Appendix B** details all grants certified for the year up to the quarter ending 31 March 2024.

2.2. Our current cumulative position, as at 31 March for 2023/24 audits is shown in the table below. This is considered satisfactory at this stage of the year.

Status	Number
Final reports and Management Letters	13
Work in Progress	11
Cancelled or deferred	5
Not started	1
Total audits	29

No Audits were cancelled or deferred (on a risk assessed basis) since previous reporting.

Grant Certifications

2.3. All 2023-24 grant certifications completed up to the end of quarter 4 are detailed in **Appendix B**. All the required grant certifications have been completed on time.

Traded Full School Audits

- 2.4. Twenty three such audits have been completed in the year to the 31 March 2024, with a further 7 bookings for the new financial year. Details of the schools audits completed 1 January to 31 March 2024 are listed in **Appendix A**.

Norfolk Pension Fund (NPF)

- 2.5. One audit from the 2023/24 NPF Audit Plan is in progress.

Staffing

- 2.6. Plans are in place to ensure the internal audit team collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the NAS Terms of Reference (Charter), recognising the turnover of staff in the team during the year.
- 2.7. An interim Manager temporarily replaced the Principal Client Manager, up to January 2024 and we are now seeking a longer-term solution for this role and considering other roles.
- 2.8. During the quarter our Risk Management Officer has been redesignated into a new Organisational Risk Management Lead role in the team. In addition, our Investigative Auditor has been redesignated into a new Organisational Anti-Fraud and Corruption Lead role in the team.

Progress with the implementation of agreed recommendations

- 2.8. The table below show where we are with monitoring the implementation of our high and medium priority recommendations: -

	No. 2021/22	No. 2022/23	No. 2023/24*
Total number of recommendations implemented and closed – verified through management assurance	111	106(includes 6 currently set as implemented that have not been finally closed)	22
Total number of recommendations implemented and closed – not verified (closed and picked up in Follow Up audit)	0	2	0
Total number of recommendations no longer applicable	1	4	0
Total number of recommendations implemented and closed – management accepts risk (cost of implementing the recommendation outweighs the risk)	3	3	0
Total number of recommendations in progress of being implemented	2	21	20
Total number of recommendations being monitored for implementation (*as of 10/1/24)	117	136	42

Audits with recommendations in progress being monitored	2	5	4
Number of audits where all the recommendations have been implemented and closed	16	14	1
Total number of audits released for recommendation monitoring	18	19	5

2.9. Regarding the two recommendations still in progress of being implemented in 2021/22: -

- One of these is for the Transforming Care Programme (TCP) Follow Up audit. The Finance Business Partner for Adult Social Services provided an update in February 2024 with action expected to be completed by October 2024. We will continue to follow up progress.
- One relates to the follow up of the Third Party (Staff and Supplier) Access recommendations. The Business Systems Architect advised in March 2024 that significant progress had been made with the remaining agreements for third party completion being followed up by the project lead and escalation to the Director of Digital Services for resolution where necessary.

Quarter ending 31 March 2024.

2.10. **Appendix A** details the final reports issued in the quarter ending 31 March 2024.

2.11. Our Strategy for 2023-24 included that we will be:

- Focusing on key risk areas
- Strengthening continuous learning in the team
- Exploring and implementing 'agile audit' approaches
- Reviewing the impact of our shortened audit reporting

Anti-Fraud and Corruption, Whistleblowing and Money Laundering Reporting Officer

2.12. The Head of Legal Services (from 1st January 2023) and Chief Internal Auditor champion the Anti- Fraud and Corruption policy and the Whistleblowing Policy. It is their role to ensure the implementation, integrity, independence and effectiveness of the policy and procedures. The Chief Internal Auditor (formally Deputy MLRO) has taken over the role of Money Laundering Reporting Officer.

2.13. A separate report is included on this agenda that outlines the work in respect of Anti-Fraud and Corruption, Whistleblowing and Money Laundering for the quarter ending 31 March 2024.

France Channel England (FCE) Programme

2.14. The delivery of audit work for the current accounting year is progressing well. Our assessment is that we have adequate resources to deliver the audit plan for the accounting year ending 30 June 2024.

2.15. The FCE Audit Authority is expected to submit its final Annual Control Report to the European Commission by 15 February 2025, although

there could be an option of a full year extension. Once the final annual assurance package is submitted by the FCE programme bodies, the programme bodies will continue progressing the remaining programme closure activities, which include the implementation of legacy arrangements and engagement with the European Commissions on the content of the final reports submitted.

Adult Education Budget (AEB) devolution readiness

- 2.16. As part of preparations for the County Deal the Council needs to demonstrate readiness for AEB devolution from the academic year 2025-26 to the Department of Education by 31st May 2024. Readiness includes confirmation of how we will effectively deliver the operational processes and functions to support the devolution. Part of the functions to support this are described in a checklist, as follows:
- Internal Audit Committee awareness of the AEB devolution project
 - Is the project on your risk register and has it been audited (or is due to be) and a report made
 - What (if any) recommendations had been made in the report and when remedial action would be completed to address them.
- 2.17. This topic will be considered in the next reporting round for risk management. A desk top review of the AEB Devolution project was completed by the end of March 2024. Details appear in **Appendix A**.
- 2.18. The Internal Audit team will be aware of their responsibilities towards this funding stream to verify processes, controls and the regularity of payments made to providers; and to report on that work.
- 2.19. The Department for Levelling Up, Housing and Communities published guidance on the English Devolution Accountability Framework, on 16 March 2023. Statutory guidance on the exercise of devolved adult education functions and the associated budget is available.

3 Impact of the Proposal

- 3.1 The Accounts and Audit Regulations 2015 (as amended) require that, from 1 April 2015, the Council must ensure that it has a sound system of internal control that meets the relevant standards. The responsibilities for Internal Audit are set out in the Financial Regulations which are part of the Council's Constitution. Internal Audit follows appropriate standards (the PSIAS). when finalised and adopted, will likely have implications for the way Internal Audit operate and for how the Committee engages with Internal Audit. The revised standards are due to be agreed and implemented in quarter 4 of 2023 and when

approved by CIPFA, as the relevant regulatory body. We will plan for the changes and differences to be incorporated into our team working once they are agreed and implemented and will report back to the Audit and Governance Committee on any significant changes and progress with implementation.

- 3.2 A sound internal audit function helps ensure that there is an independent examination, evaluation and reporting of an opinion on the adequacy and effectiveness of internal control and risk management as a contribution to the proper, economic, efficient and effective use of resources and the delivery of the County Council's Strategic Ambitions and core role as set out in the County Council's strategy 'Better Together, for Norfolk 2021-2025'.
- 3.3 The internal audit plan will be delivered within the agreed NAS resources and budget. Individual audit topics may change in year which will result in the higher risk areas being include in the plan to inform the annual audit opinion.
- 3.4 This work adds value to the Council, which is key to our purpose and mission. As a result of the delivery of the internal audit plan and audit topic coverage, the Committee, Executive Directors, Senior Officers and Managers will have assurance through our audit conclusions and findings that internal controls, governance and risk management arrangements are working effectively or there are plans in place to strengthen controls.

4 Evidence and Reasons for Decision

- 4.1 As set out in the proposal.

5. Alternative Options

- 5.1 There are no alternative options.

6. Financial Implications

- 6.1 The service expenditure falls within the parameters of the Annual Budget agreed by the Council.
- 6.2 The costings for NAS remains unchanged, no savings are proposed for 2023/24. We will actively maintain chargeable services and pursue new opportunities when they arise.

7. Resource Implications

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

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

7.3 **IT:** There are not I.T. implications.

8. Other Implications

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

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

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

8.4 **Data Protection Impact Assessments (DPIA):** There are no DPIA implications.

8.5 **Health and Safety implications (where appropriate):** There are no health and safety implications.

8.6 **Sustainability implications (where appropriate):** There are no sustainability implications.

8.7 **Any other implications:**

8.8 When finalised and adopted, any new PSIAS will likely have implications for the way Internal Audit operate and for how the Committee engages with Internal Audit. We will plan for the changes and differences to be incorporated into our team working once they are agreed and implemented and will report back to the Audit and Governance Committee on any significant changes and progress with implementation. There are no other implications.

9. Risk Implications/Assessment

9.1 Not applicable.

10. Select Committee comments

10.1 Not applicable

11. Recommendations

11.1 See Action Required in Executive Summary.

12. Background Papers

12.1 None

Officer Contact

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

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Norfolk Audit Services
Final Reports Issued in the Quarter ending 31 March 2024

Final Reports: - Issued in Quarter 4

Opinion Work

1. MyOracle Control Accounts and Reconciliation

Audit Opinion: - Key Issues – Red

Robust action plans have now been completed to address our recommendations as detailed and summarised below:-

- a) Formal arrangement to be put in place for the various service teams responsible for clearing the unreconciled items and to report items that have not been cleared for a significant length of time to inform the Corporate Accounting Team.
- b) Arrange the timely preparation of an age analysis of the old unapplied transaction lines (i.e. 3 months+) for AP and AR to understand the potential impact on the accuracy of departmental budgets and the annual accounts.
- c) Comprehensive written procedures to be developed for performing reconciliations of control accounts.
- d) Clear evidence to be retained including date and typed name of who completed and reviewed the reconciliation as well as evidence of any actions or investigations.

2. Follow up – Health and Safety Compliance at Schools

Audit Opinion: - Acceptable

Robust action plans have been agreed to address our recommendations as detailed and summarised below:-

- a) Responses from the revised compliance questionnaire, sent to all non-BMP schools week beginning 26th February 2024, should be received timely, adequately completed and responses analysed to understand any trends in lack of compliance. The Outcomes and action to be taken to the BMP
- b) Future Service Contract Progress Reports, produced by NPS, should include the name of the school and date inspection was due to be completed, as requested at the BMP Management meeting held on the 7th November 2023.

Last date of actions due – 31/03/2024

3. Adult Education Budget - review of readiness for devolution, directorate is strategy and transformation

Audit Opinion: - Acceptable

Robust action plans have been agreed to address our recommendations as detailed and summarised below:-

- a) The Strategy Manager - Adult Education Budget (AEB) to ensure that in the Terms of Reference for the Employment and Skills Board there is clarity on the typology of decisions that qualify as "urgent" and ensuring a robust process is in place to mitigate risks associated with such decisions.
- b) The Strategy Manager - Adult Education Budget (AEB) to ensure that formal staff resilience plans are in place for key tasks relating to the submission of the self-assessment checklist and supporting evidence due 31 May 2024.

Last date of actions due – N/A

A. Management Letters

No management letters were issued in the quarter.

B. Norfolk Pension Fund

No pension fund audits were finalised in the quarter

C. Traded Full School Audits .

Audits have been completed at the following schools: -

- a) Fred Nicholson School
- b) Hethersett Woodside Primary and Nursery
- c) Holt Community Primary School
- d) Mile Cross Primary School
- e) Pilgrim Federation
- f) Redcastle Family School
- g) Swanton Abbott Community Primary School
- h) Ormesby Village Junior and Ormesby Primary School
- i) Hethersett VC Primary School

D. External Clients

- 1. No work has been completed for external clients in this quarter.

All grants certified for the year ending 31 March 2024

LGA	Other
16-19 EFSA	Supported Families (P/e Mar 24)
Bus Recovery and Local Transport Grants	
Active Travel Fund 31/7098	

The above certification work covered a total of £3,222,137 revenue to the Authority.

Audit and Governance Committee

Item No: 11

Report title: Anti-Fraud, Bribery and Corruption Report (including whistleblowing) for the period ending 31 March 2024

Date of meeting: 30 April 2024

Responsible Cabinet Member: N/a

Responsible Director: Director of Legal Services & Monitoring Officer

Is this a key decision? No

Executive Summary

The Council's Anti-Fraud, Bribery and Corruption Policy continues to direct the proactive anti-fraud work undertaken by Council. This report provides an update in respect of the pro-active and reactive anti-fraud, bribery and corruption activity undertaken during the period ending 31 March 2024.

Furthermore, an update in respect of the Council's Whistleblowing provision can be found in section four of this report.

Recommendations

To consider and agree: -

- **the key messages featured in part three and four of this report, that the work and assurance meet their requirements and advise if further information is required.**

1. Background and Purpose

- 1.1 One of the roles of this Committee is to have oversight of the effectiveness of the anti-fraud and corruption and whistleblowing arrangements of the Council including the strategy, policies and any associated guidance.
- 1.2 Norfolk Audit Service (NAS) leads on the strategic delivery of Counter Fraud, Bribery and Anti-Corruption work across all NCC's services on behalf of the Director of Legal Services & Monitoring Officer. The aim is to protect the public purse, NCC, its staff and its service users from corrupt activities that would undermine NCC's aims and objectives of meeting public service requirements.

- 1.3 This report supports the remit of the Committee in providing proactive leadership and direction on anti-fraud, bribery and corruption governance and issues. The purpose of this report is to update the Committee on outcomes and activities undertaken during the period.

2. Proposals

- 2.1 To consider and agree: -

- the key messages featured in part three and four of this report, that the work and assurance meet their requirements and advise if further information is required.

3. The key messages are as follows: -

Reactive Updates

- 3.1. **During the period the following outcomes have been gained, and the following reactive activities have been undertaken by the Council's Organisational Counter Fraud and Corruption Lead:**
- 3.2. No new allegations of fraud have been reported during the period.
- 3.3. Three previously reported Investigations remain ongoing with law enforcement at the point of reporting. Further progress on the investigations has been made during the period. The Organisational Counter Fraud and Corruption Lead met with law enforcement on these matters in February 2024 and the Council continues to actively pursue these cases.
- 3.4. A Proceeds of Crime application is being progressed by law enforcement agencies for a previously reported fraud against the Council/Norfolk School. It is expected that hearings will be taking place to progress the application in the first quarter of the new financial year. Loss recovery is an important component of the council's fraud response strategy. It ensures that the council recoups funds lost to fraudulent activities, thereby mitigating the financial impact on its budget and services.
- 3.5. The Organisational Counter Fraud and Corruption Lead worked with other departments and managers to assist with ongoing reactive work where necessary, including:
- Financial authorisations within electronic systems.
 - CV's and secondary employments.
 - Salary overpayments

- 3.6. Other investigations and enquiries remain ongoing in respect of concerns received through the Councils Whistleblowing arrangements (see below).

Pro-Active updates.

- 3.7. **The following proactive updates have taken place during the period:**

3.8. **Failure to Prevent Fraud.**

- 3.9. It was previously reported the UK Government's new "failure to prevent fraud" offence, part of the Economic Crime and Corporate Transparency Act is a relevant offence to be considered by the Council and wholly owned companies.

- 3.10. During the period, the Organisational Counter Fraud and Corruption Lead has worked with other Council's across the Southeast of England Fraud Hub group to further assess the impact of this legislation.

- 3.11. The group is taking forward a number of risk assessments using a collaborative approach with feedback meetings planned for the first quarter of the new financial year. In doing so, the Council can demonstrate its collaborative approach to tackling new and emerging counter fraud challenges.

- 3.12. The UK government has published a [fact sheet](#) about the new offence.

3.13. **Training and Awareness**

- 3.14. Work is ongoing to revise and enhance the Council's Counter Fraud Awareness eLearning module. This module, which has been in operation since the 2019/20 period, is due for an update to incorporate the latest fraud and corruption risks. This is important to ensure that our staff remain well-informed and vigilant against these evolving threats.

- 3.15. Since the eLearning module became a mandatory requirement, it has seen a robust number of completions, with a total of 3085 staff members successfully completing the module. This has been achieved during a significant period of change, with the implementation of new learning platforms and the wider impact of the COVID19 pandemic.

- 3.16. Looking ahead, the updated eLearning module will be scheduled for staff to complete on a periodic basis. This approach ensures that staff stay up-to-date with the latest developments in fraud and corruption

risks, reinforcing the Council's commitment to maintaining a well-informed and proactive workforce.

3.17. **Artificial Intelligence**

3.18. The emergence of Artificial Intelligence (AI) is expected to continue to increase productivity and save costs on a global scale, including the UK public sector.

3.19. However, the rise of AI also brings new and emerging fraud threats. [A recent incident reported by The Telegraph](#) highlights this point. A finance worker was tricked into transferring £20m to fraudsters via a deepfake video call. The scammers used AI to imitate the worker's UK based superiors, convincing them to transfer the funds. This case highlights the potential threats posed by AI and deepfake technology.

3.20. [The UK Government's Public Sector Fraud Authority has published guidance on AI](#) which emphasises the importance of understanding the impact and potential fraud threats. The guide also highlights the opportunities that AI presents for detecting and preventing fraud using large quantities of information. As fraudsters increasingly utilise sophisticated methods to exploit vulnerabilities, there is a need to keep pace with these developments.

3.21. Given these circumstances, work is being planned to incorporate these emerging risks into current training and awareness programs. This will ensure that employees are equipped to identify and mitigate potential threats, thereby enhancing the security and integrity of Council services.

3.22. **National Fraud Initiative**

3.23. Progress has been made in reviewing, investigating and resolving thousands of data matches identified through the National Fraud Initiative. Further resource has been allocated during the period.

3.24. The National Fraud Initiative (NFI) is an exercise operated by the Cabinet Office that matches electronic data within and between public and private sector bodies to prevent and detect fraud. All local authorities in England are required to provide various sets of data to the NFI bi-Annually to support the activity.

Once the exercise is complete, significant findings will be reported to the Committee.

3.25. Networking and Events

Attendance at regional and national anti-fraud meetings has taken place. The purpose of these meetings is to enhance NCC's counter fraud culture, promote the reporting lines for raising concerns, identify areas for counter fraud activity and assess potential investigations.

3.26. Norfolk Fraud Hub

- 3.27. FraudHub continues to have a positive impact in respect of its capabilities for person tracing and background checks. During the period FraudHub has assisted with identifying potential fraud.
- 3.28. The Council continues to explore new technologies and systems to assist with the prevention and detection of fraud from both within and external to the authority.
- 3.29. A number of pilot projects are currently ongoing with the Cabinet Office which are expected to enhance the Fraud Hub capabilities in the future. These projects include data matching in areas relevant to Council services, including:
- Payroll v Agency workers intended to identify potential secondary employments that may impact on Council services.
 - Host Fraud that may indicate potential overspends, error or fraud in the awards processes.
 - Adult Social Care to Capital and disability data intended to identify potential fraudulent applications.
 - No Recourse to Public Funds frauds.

3.30. Norfolk Against Scams

NAS continues to support Norfolk Against Scams Partnership (NASP) in cooperation with Norfolk Trading Standards.

The work undertaken by NAS includes promoting fraud and scams awareness to Norfolk Schools. NASP is a partnership of organisations committed to taking a stand against scams and aims to make Norfolk a scam free county.

3.31. Fraud Response Plan

- 3.32. An updated organisational fraud response plan has been drafted and is expected to be presented to the Committee along with the Anti-Fraud, Bribery and Corruption Annual report in the new financial year.

- 3.33. The draft plan outlines the Council's commitment to combating fraud and corruption. This plan is intended to replace previous documents, complement the Anti-Fraud, Bribery and Corruption Policy, and assist with meeting the requirements of the Fighting Fraud and Corruption Locally (FFCL) framework for the 2020s.
- 3.34. The Council has formally adopted the national strategy "Fighting Fraud and Corruption Locally", which provides a framework for preventing, detecting, and responding to fraud. The strategy integrates robust governance, preventive measures, and transparent reporting systems to safeguard public resources and maintain public trust.
- 3.35. The draft plan includes definitions of fraud, corruption, and bribery, and details the Council's proactive and reactive considerations in response to these issues. It also outlines the Council's commitment to training and awareness, ensuring all employees understand the nature of fraud, corruption, and bribery, and how to identify potential red flags.
- 3.36. In conclusion, the Fraud Response Plan demonstrates the Council's dedication to upholding the highest ethical standards and its commitment to combating fraud and corruption. It is intended that this plan will assist with promoting a culture of transparency and trust within the organisation.
- 3.37. **Risk Assessment**
- 3.38. In collaboration with the Council's Organisational Risk Management Lead, work has begun to identify and evaluate areas of the Council's operations that would benefit from a review of fraud risk processes.
- 3.39. Where increased risk may be identified, targeted additional steps to mitigate these risks can occur. This can include the implementation of technology solutions, such as data analytics and the potential use of emerging AI systems, to detect and prevent and deter fraudulent activities. Furthermore, bespoke awareness activity to educate employees about the potential risks and the importance of adhering to the established protocols and deterrence measures can be better enabled.
- 3.40. These measures not only help in managing the risks but also contribute to fostering a culture of integrity and transparency within the Council.
- 3.41. **Conflicts of Interest**
- 3.42. Efforts are currently underway to consider the Council's existing procedures for managing conflicts of interest. This initiative is guided by

the Nolan Principles (7 Principles of Public Life) and The Council's constitution, which is committed to preventing fraud. The focus of this review is on staff declarations, with a proactive approach being considered to gather information. This approach would ensure that all potential conflicts are robustly identified and managed effectively, thereby upholding the integrity of the Council's operations and maintaining public trust.

3.43. Counter Fraud Resources

3.44. Looking to the future, further counter fraud resource is under consideration to strengthen and enhance the Council counter fraud capabilities.

4. Whistleblowing

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

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

- A total of 27 referrals have been made in the financial year to date.
- Whistleblowing themes include areas such as: Care, Finance, Property, Health and Safety, Contract issues, Equality and entitlements.
- All concerns received under the whistleblowing provision are taken seriously and progressed to a conclusion.
- Norfolk Audit Service continues to explore new ways to operate the whistleblowing provision through reviews and recommendations.

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

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

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

5. Evidence and Reasons for Decision

- 5.1. Not applicable.

6. Alternative Options

- 6.1. There are no alternative options.

6. Financial Implications

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

7. Resource Implications

- 7.1 **Staff:** There are no staff implications.
- 7.2 **Property:** There are no property implications.
- 7.3 **IT:** There are not I.T. implications.

8. Other Implications

- 8.1 **Legal Implications:** There are no specific legal implications to consider within this report.
- 8.2 **Human Rights implications:** There are no specific human rights implications to consider within this report.
- 8.3 **Equality Impact Assessment (EqIA) (this must be included):** No implications.
- 8.4 **Data Protection Impact Assessments (DPIA):** There are no DPIA implications.
- 8.5 **Health and Safety implications (where appropriate):** There are no health and safety implications.
- 8.6 **Sustainability implications (where appropriate):** There are no sustainability implications.
- 8.7 **Any other implications:** There are no other implications.

9. Risk Implications/Assessment

9.1 Not applicable.

10. Select Committee comments

10.1 Not applicable

11. Recommendations

11.1 See Action Required in Executive Summary.

12. Background Papers

NCC Anti-Fraud, Bribery and Corruption Policy

NCC Whistleblowing Policy

NCC Anti-Money Laundering Policy

Officer Contact

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

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Organisational Counter Fraud and Corruption Lead

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Audit and Governance Committee

Item No: 12

Report Title: Terms of Reference for the Audit and Governance Committee

Date of Meeting: 30th April 2024

Responsible Cabinet Member: N/A

**Responsible Director: Harvey Bullen, Director of Strategic Finance ,
Section 151 Officer**

Is this a Key Decision? No

Executive Summary

Full Council agreed changes to its Constitution at its meeting on 19 July 2022. These terms of reference were last approved by this Committee in November 2022, where it was resolved to 'Endorse the terms of reference agreed by Council on 19 July 2022 set out in Appendix A and suggest to Council that the Committee be titled, 'Audit and Governance Committee', as that is recognisable and more easily searched by interested parties who wish to find reports, particularly relating to matters of public interest such as the approval of the accounts.' No new changes are proposed.

The committee is also being asked to consider the procedure for dealing with standards hearings previously agreed by Standards Committee and consider whether it wishes to make any amendments. This would not need a decision of Council as the procedure is not part of the Constitution.

Recommendations:

To consider and agree to:

- 1. Endorse the terms of reference set out in Appendix A**
- 2. Endorse the current procedure for dealing with standards hearings set out in Appendix B**
- 3. Note that a hearings sub-committee as set out at 4.3 (2) (f) of its terms of reference is to be selected from committee members trained in dealing with standards hearings**

4. Note nplaw's guidance for carrying out standards investigations (Appendix C)

1. Background and Purpose

- 1.1 Under s27 Localism Act 2011 a local authority has a duty to promote and maintain high standards of conduct. It is not required to have a separate Standards Committee to do so, and the responsibilities previously within the remit of the Standards Committee have been brought into the remit of the previous Audit Committee. It is intended that the Committee should be able to consider and advise on standards matters and through a sub-committee, be able to determine and decide on alleged breaches and sanctions.

2. Proposal

- 2.1 Full Council has agreed the terms of reference for the committee, set out at **Appendix A**. The committee is asked to consider its terms of reference and endorse them, or, alternatively, make recommendations for changes to its terms of reference to be considered by full Council.
- 2.2 The former Standards Committee agreed a procedure for dealing with standards hearings. This is on the council's website but is not part of the Council's Constitution. The procedure is set out in **Appendix B**. The Committee is being asked to endorse the procedure or make recommendations for change (which need not be referred to Council for decision). The document attached contains track changes to show the amendments necessary to reflect the change of Committee name. Any further amendments required may be made by this Committee before the revised version is uploaded on the website.
- 2.3 The Committee is also being provided with nplaw's guidance for carrying out standards investigations (**Appendix C**) for information only as to process. Nplaw uses this guidance both for internal standards investigations and for investigations it is instructed to carry out on behalf of other local authorities as stakeholders or external clients.
- 2.4 It is necessary for the Committee to establish a sub-committee to consider alleged breaches of the code of conduct following investigation and referral to them. Members may not sit on the sub-committee until they have received training in standards matters. To assist in dealing with complaints promptly it is intended that when it is necessary to convene a sub-committee it should be made up of any three members of the Committee that have received appropriate training and it has previously been agreed that the sub-committee should consist of 3 non-cabinet members drawn from at least two political parties and where possible gender balanced.

3. Impact of the Proposal

- 3.1 The proposal will enable the Council to properly fulfil its duty under the Localism Act.

4. Evidence and Reasons for Decision

- 4.1 The Council is required to meet its duties under the Localism Act, and the proposals ensure the Governance & Audit Committee will be able to do so. 4.2

5. Alternative Options

- 5.1 The Council could have a separate Standards Committee, but is not required to do so, and in the interests of efficiency has previously decided to bring the responsibilities into the remit of this Committee.

6. Financial Implications

- 6.1 None

7. Resource Implications

- 7.1 Staff: None

- 7.2 Property: None

- 7.3 IT: None

8. Other Implications

- 8.1 Legal Implications: The proposals allow the Council to fulfil its legal duty under s27 Localism Act 2011
- 8.2 Human Rights Implications: The proposals allow a fair process for any councillor accused of a breach of the code of conduct.

8.3 Equality Impact Assessment (EqIA) (this must be included): Not applicable

8.4 Data Protection Impact Assessments (DPIA): None

8.5 Health and Safety implications (where appropriate): None

8.6 Sustainability implications (where appropriate): None

8.7 Any Other Implications:

9. Risk Implications / Assessment

9.1 None

10. Select Committee Comments

10.1 Not applicable

11. Recommendations

11.1 Please see the Executive summary above.

12. Background Papers

12.1 None

Officer Contact

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

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Part 8A: Composition, Terms of Reference of Regulatory and Other Committees

4. Audit and Governance Committee

4.1 Composition

Seven Members of the Council, on a politically balanced basis. Cabinet members may not be members of this Committee. No more than one Scrutiny Committee Member to serve on this Committee but may not serve as Chair. The functions of the former Standards Committee are added to the former Audit Committee to form the Audit and Governance Committee.

4.2 Terms of Reference for dealing with Audit issues

4.2.1 Governance:

- a) Consider the Annual Governance Statement, and be satisfied that this statement is comprehensive, properly reflects the risk and internal control environment, including the System of Internal Audit, and includes an agreed action plan for improvements where necessary.**

4.2.2 Internal Audit and Internal Control:

- a) With Chief Officers, to provide proactive leadership and direction on audit governance issues and champion audit and internal control throughout the Council.**
- b) 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.**
- c) Consider an annual report and quarterly summaries of internal audit reports and activities which include an opinion on the adequacy and effectiveness of the Council's internal controls including risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.**
- d) Consider reports showing progress of all clients against the audit plan and proposed amendments to the Council's audit plan.**
- e) Ensure there are effective relationships between internal audit and external audit, other inspection agencies and other relevant bodies and**

that the value of the audit process is actively promoted.

4.2.3 Risk Management

- a) 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.**
- b) Consider the effectiveness of the system of risk management arrangements.**
- c) Consider an annual report and quarterly reports with respect to risk management including, an opinion on the adequacy and effectiveness of the Council's risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.**
- d) Receive assurances that action is being taken on risk related issues identified by both internal and external auditors and other inspectors.**
- e) Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.**
- f) Report annually to full Council as per the Financial Regulations.**

4.2.4 Anti-Fraud and Corruption

- a) Provide proactive leadership and direction on Anti-Fraud and Corruption and champion Anti-Fraud and Corruption throughout the Council.**
- b) Consider the effectiveness of the Council's Anti-Fraud and Corruption arrangements.**
 - b) Consider an annual report on activity with respect to Anti-Fraud and Corruption**
 - c) performance and receive assurances that action is being taken where necessary.**

4.2.5 Annual Statement of Accounts

- a) Consider the external auditor's reports and opinions, relevant requirements of the International Standards on Auditing and any other reports to Members with respect to the Accounts, including the Norfolk Pension Fund, Norfolk Firefighters' Pension Fund and approve the Accounts on behalf of the Council and report required actions to the Council. Monitor management action in response to issues raised by the external auditor.**
- b) Consider the External Auditors' Annual Governance Report and approve the Letter of Representation with respect to the Accounts and endorse**

the action plan contained in this Report.

4.2.6 External Audit

- a) Consider reports of external audit and inspection agencies.
- b) Ensure there are effective relationships between external audit and internal audit.
- d) Consider the scope and fees of the external auditors for audit, inspection and other work.

4.2.7 Norfolk Pension Fund

Following presentation to the Pensions Committee and with due regard to any comments and observations made, consider the draft Accounts of the Norfolk Pension Fund.

4.2.8 Treasury Management

Consider the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensure that they meet best practice.

4.2.9 Administration

- a) Review the Committee's own terms of reference no less frequently than annually and where appropriate make recommendations to the Council for changes.
- b) Ensure Members of the committee have sufficient training to effectively undertake the duties of this committee.
- c) Consider the six monthly and Annual Reports of the Chair of the Committee.

4.3 Terms of reference as for dealing with Standards issues

4.3.1 The general functions of the Committee are to:

- a) Promote and maintain high standards of conduct by Members and co-opted Members of the Council.
- b) Assist Members and co-opted Members of the Council to observe the Council's Code of Conduct.

4.3.2 The specific functions of the Committee are to:

- a) Advise the Council on the means of carrying out the general functions in para 1.
 - b) Advise the Council on the adoption and revision of codes of conduct for Members and officers.
 - c) Monitor the operation of the Council's Code of Conduct.
 - d) Advise and arrange training for Members of the Council and co-opted Members on matters relating to the Council's Code of Conduct for Members.
 - e) Arrange for Councillors and co-opted Members to receive dispensations to speak on and participate in matters in which they have a prejudicial interest.
 - f) Convene sub-Committees of three non-Cabinet Council Councillors (drawn from at least two political parties and where possible, gender balanced) to hear complaints against Councillors relating to conduct, ethics and propriety referred to them by the Monitoring Officer. Such sub-Committees to have power to take no further action or such actions as are necessary and permitted under arrangements for dealing with standards allegations which are published on the Council's website.
- 4.4 **Audit and Governance Committee: Rules of Procedure for Hearings**
This is the procedure for dealing with standards hearings. The Audit and Governance Committee has agreed a process for handling investigations into complaints that a Member is in breach of the Code of Conduct. This process does not form part of the Constitution but is available on the Council's website [here](https://www.norfolk.gov.uk/what-we-do-and-how-we-work/have-your-say/compliments-and-complaints/councillor-complaints):
<https://www.norfolk.gov.uk/what-we-do-and-how-we-work/have-your-say/compliments-and-complaints/councillor-complaints>

Arrangements for dealing with standards allegations

1 Context

- 1.1 These Arrangements set out how a complaint may be made that a member of this Council has failed to comply with the Code of Conduct and sets out how the Council will deal with allegations of a failure to comply with the Code of Conduct. Under Section 28(6) and (7) of the Localism Act 2011, the Council must have in place “arrangements” under which allegations that one of its members (elected or co-opted) has failed to comply with the Code of Conduct can be investigated and decisions made on such allegations.
- 1.2 The arrangements must provide for the Council to appoint a Monitoring Officer and at least one Independent Person, whose views must be sought by the Council before it takes a decision on an allegation which it has decided shall be investigated, and whose views can be sought by the Council at any other stage, or by a member against whom an allegation has been made.

2 The Code of Conduct

- 2.1 The Council has adopted a Code of Conduct for members, which is included at Part 3B of the Council’s Constitution, available on the Council’s website.

3 Making a complaint

- 3.1 The Council regards complaints concerning the Code of Conduct very seriously and before invoking the formal procedure a complainant might wish to consider an informal meeting with the Monitoring Officer to discuss other options available. The Council encourages a process of informal resolution and the Monitoring Officer is always willing to assist with this whenever possible but cannot be asked to determine the validity of a complaint in such a process, this can only be decided after following the procedures set out below. Complaints that a member of this Council has failed to comply with the relevant authority’s Code of Conduct, should be made in writing to the Monitoring Officer at Katrina.hulatt@norfolk.gov.uk or at County Hall, Martineau Lane, Norwich, NR1 2DH.
- 3.2 Any complaint should be submitted using the Council’s complaint form, which can be downloaded from the Council’s website, next to the Code of Conduct. This will ensure all relevant information is provided. Written complaints that are not on the Council’s form will be accepted if the relevant information is provided. The complainant’s name and a contact address should be provided, so that receipt of the complaint can be acknowledged, and information on the progress of the complaint provided. If a complainant wishes to keep their name or address confidential this should be indicated in the space provided on the complaint form, in which case the Council will not disclose the name and address to the member against whom the complaint is made, without the complainant’s prior consent.

The Council does not normally investigate anonymous complaints (where no name has been provided), unless there is a clear public interest in doing so.

- 3.3 The Monitoring Officer will acknowledge receipt of the complaint within five working days of receiving it and will keep the complainant informed of the progress of the complaint thereafter.
- 3.4 The Monitoring Officer is a senior officer of the authority who has statutory responsibility for maintaining the register of members' interests and who is responsible for administering the arrangements in respect of complaints of member misconduct.
- 3.5 The Monitoring Officer has the right to delegate these functions to a nominated deputy, or to an independent investigator, in the event of any conflict of interest or as the Monitoring Officer considers necessary.

4 How will the complaint be dealt with?

- 4.1 The Monitoring Officer will review every complaint received and shall undertake an initial assessment of the complaint to determine whether the complaint is admissible, and may then consult with the Independent Person before taking a decision as to whether:
 - 4.1.1 it may be suitable for alternative resolution without investigation or,
 - 4.1.2 it warrants investigation, or
 - 4.1.3 it does not warrant any further action.
- 4.2 For the complaint to be admissible it must be in a legible format, relate to an existing member or co-opted member of the Council and be a complaint, which if proven, would be a breach of the applicable Code of Conduct. The Monitoring Officer will notify the complainant in writing of the outcome of the initial review giving reasons for the determination.
- 4.3 In determining whether an admissible complaint should be recommended for investigation or alternative resolution the Monitoring Officer will have regard to a range of factors including the following:
 - 4.3.1 Whether there is enough information upon which to base a decision;
 - 4.3.2 Whether the complaint has already been the subject of an investigation or other action relating to the Code of Conduct or the subject of an investigation by other regulatory authorities;
 - 4.3.3 The seriousness of the alleged action by a Member;
 - 4.3.4 Does the complaint appear to be simply malicious or vexatious;
 - 4.3.5 Did the action complained of occur recently or not? A complaint that has not been received within 3 months of the alleged misconduct is not likely to be recommended for investigation or alternative resolution unless there are exceptional circumstances e.g. allegation of bullying or harassment;
 - 4.3.6 Does it appear that there can be no breach of the Code of Conduct because for example, the matter relates to the member's private life (without any relevance to their council duties), something the member

- has done in a private capacity or is about dissatisfaction with a decision of the authority?
- 4.3.7 Taking account of the member's response to the complaint when notified of it, for example whether the member has apologised or admitted the error
- 4.3.8 Whether the matter is considered suitable for alternative resolution and either the subject member or the complainant is not prepared to undertake alternative action.
- 4.4 It should be noted that the complaint process will be confidential. The investigation and draft report will be shared only with the subject member, and the complainant, on a confidential basis. Papers issued to any sub-committee will be published as exempt papers. The formal decision notice of the committee, at the end of the process, will be a public notice.
- 4.5 An initial decision on how the complaint will be dealt with will normally be taken within 14 days of receipt and the complainant will be informed, in writing, of the decision and next steps, if any. If the initial decision is likely to take longer than 14 days, the complainant will be advised of this, and given an explanation. Unless exceptional circumstances exist that indicate otherwise, the Monitoring Officer will also inform the member against whom the complaint is directed of the receipt and nature of any admissible complaint and invite their comments. The subject member will also be kept informed throughout the investigation of the expected timescale and process. Where there were exceptional circumstances that meant the Member against whom the complaint was directed was not immediately informed about the complaint (e.g. because of a family bereavement) then this would be confirmed by an Independent Person.
- 4.6 It is expected that both the subject member and the complainant will co-operate with the investigation process, and with requests for a meeting or provision of information, within a reasonable period of time. If, in the opinion of the Investigating Officer, either party is not co-operating fully, the complaint may be concluded based on the evidence available to the Investigating Officer at the time. In this case a draft report will be prepared and sent to the parties for comment, but the process will not be delayed by non-co-operation.
- 4.7 Where the Monitoring Officer requires additional information in order to come to a recommendation, they may request it from the complainant, and may also request additional information from the member concerned. If the complaint identifies criminal conduct or breach of other regulation by any person, the Monitoring Officer has the power, or may have an obligation, to call in the Police or other regulatory agencies as an alternative to, or in addition to, referring the matter for investigation.
- 4.8 When a matter is referred for alternative resolution or investigation, it does not mean that the Monitoring Officer has made a decision on the allegation, it simply means that the Monitoring Officer believes the alleged conduct, if proven, may amount to a failure to comply with the Code of Conduct and that some action should be taken in response to the complaint.

5 What happens if the complaint is referred for alternative resolution?

- 5.1 The Monitoring Officer may conclude that the matter can reasonably be resolved without the need for an investigation and hearing. In such a case, the Monitoring Officer may consult with the Council's Independent Person and the complainant and seek to agree what the complainant considers to be a fair resolution which also helps to ensure higher standards of conduct for the future. Such resolution may include the member accepting that the conduct was unacceptable and offering an apology, and/or other remedial action by the authority. If the member complies with the suggested resolution, the Monitoring Officer will inform the Chair of the **Audit and Governance** Committee but will take no further action. If the member concerned is not prepared to participate in an alternative resolution process or undertake any proposed remedial action, the Monitoring Officer will determine whether the complaint should then be investigated and referred to the **Audit and Governance** Committee hearings sub-committee.

6 If the complaint is referred for investigation how is the investigation conducted?

- 6.1 If the Monitoring Officer decides that a complaint merits formal investigation, the Monitoring Officer may either carry out the investigation, or may appoint an Investigating Officer, who may be another senior officer of the authority, an officer of another authority or an external investigator. The Investigating Officer or Monitoring Officer will decide whether it is necessary to meet with, or speak, to the complainant to understand the nature of the complaint and so that the complainant can explain their understanding of events and suggest what documents need to be seen, and who needs to be interviewed. Documents will be limited to what, in the opinion of the Monitoring Officer or Investigating Officer, is reasonably necessary to investigate the complaint.
- 6.2 The Investigating Officer or Monitoring Officer would normally write to the subject member and provide them with a copy of the complaint and ask the member to provide their explanation of events, and to identify what documents they suggest need to be seen and who needs to be interviewed.
- 6.3 In exceptional cases, where it is appropriate to keep the complainant's identity confidential or disclosure of details of the complaint to the member might prejudice the investigation, the Investigating Officer or Monitoring Officer can delete the complainant's name and address from the papers given to the member, or delay notifying the member until the investigation has progressed sufficiently.
- 6.4 At the end of the investigation, the Investigating Officer or Monitoring Officer will produce a draft report and will send copies of that draft report, in confidence, to the complainant and to the member concerned, to give both an opportunity to identify any matter in that draft report with which they disagree or consider requires more consideration. The draft report will include statements taken during the investigation, and relevant documents.

- 6.5 Having received and taken account of any comments made on the draft report, the Investigating Officer will send the final report to the Monitoring Officer, or the Monitoring Officer will produce the final report. A copy of the final report will also be sent to the Independent Person.
- 6.6 The length of time taken for an investigation will depend on the complexity of the complaint, and the availability of witnesses. The investigation will normally be completed within one month of being referred for investigation. If the complaint is complex, or involves multiple complainants, this will extend the time needed for the investigation, and the Monitoring Officer may advise the complainant of a longer timescale being required, at the start of the investigation. The complainant and the member concerned will be advised as soon as possible if it becomes apparent that the investigation cannot be completed in the stated timescale, and a revised timescale will be given.

7 What happens if the Investigating Officer or Monitoring Officer concludes that there is no evidence of a failure to comply with the Code of Conduct?

- 7.1 Either the Investigating Officer's (if one has been appointed) or the Monitoring Officer's report will be forwarded to the Independent person for a view to be sought on the report. If, after having considered the views of the Independent Person, the Monitoring Officer is satisfied that the report is sufficient to conclude that there is no evidence of a failure to comply with the Code of Conduct, the Monitoring Officer will write to the complainant and to the member concerned, stating that they are satisfied with the report, and give both a copy of the final report. The Monitoring Officer will report that there is no evidence of a failure to comply with the Code of Conduct to the **Audit and Governance Committee** for information and will take no further action. If an Investigating Officer has been appointed and if the Monitoring Officer is not satisfied that the investigation report is sufficient, he or she may ask the Investigating Officer to reconsider the report.

8 What happens if the Investigating Officer or Monitoring Officer concludes that there is evidence of a failure to comply with the Code of Conduct?

- 8.1 The Monitoring Officer will seek the views of the Independent Person.
- 8.2 A hearings sub-committee of **Audit and Governance Committee** (as set out in para 11 below) will then be convened, and the Monitoring Officer will report the findings of the investigation to the hearings sub-committee of the **Audit and Governance Committee** which will conduct a hearing before deciding whether the member has failed to comply with the Code of Conduct and, if so, whether to take any action in respect of the member.
- 8.3 The Monitoring Officer will conduct a "pre-hearing process", requiring the member to give their response to the Investigating Officer's report, in order to identify what is likely to be agreed and what is likely to be in contention at the

hearing, and the Chair of the hearings sub-committee may issue directions as to the manner in which the hearing will be conducted.

- 8.4 At the hearing, the Investigating Officer or Monitoring Officer will present the report, call such witnesses as considered necessary and make representations to substantiate the conclusion that the member has failed to comply with the Code of Conduct.
- 8.5 For this purpose, the Investigating Officer or Monitoring Officer may ask the complainant to attend and give evidence to the hearings sub-committee. The member will then have an opportunity to give evidence, to call witnesses and to make representations to the hearings sub-committee as to why they consider that they did not fail to comply with the Code of Conduct.
- 8.6 The hearings sub-committee, with the benefit of any advice from the Independent Person, may conclude that the member did not fail to comply with the Code of Conduct, and so dismiss the complaint.
- 8.7 If the hearings sub-committee concludes that the member did fail to comply with the Code of Conduct, the Chair will inform the member of this finding and the hearings sub-committee will then consider what action, if any, the hearings sub-committee should take as a result of the member's failure to comply with the Code of Conduct.
- 8.8 In doing this, the hearings sub-committee will give the member an opportunity to make representations to the sub-committee and will take into account any views of the Independent Person, and will then decide what action, if any, to take in respect of the matter.

9 What action can the hearings sub-committee take where a member has failed to comply with the Code of Conduct?

- 9.1 The sub-committee has the authority to take action in respect of individual members of the Council as may be necessary to promote and maintain high standards of conduct. The hearings subcommittee will take advice from the Monitoring Officer and seek the views of the Independent Person, in respect of the sanctions (if any) that might be appropriate in a particular case, and it is expected that the more severe sanctions will be reserved for more serious breaches of the Code of Conduct. The sanctions available are that the hearings sub-committee may:
 - 9.1.1 Censure or reprimand the member;
 - 9.1.2 Publish its findings in respect of the member's conduct;
 - 9.1.3 Report its findings to Council for information
 - 9.1.4 Recommend to the member's Group Leader (or in the case of ungrouped members, recommend to Council or to Committees) that they be removed from any or all committees or subcommittees of the Council, including joint committees or sub-committees for a stipulated period;
 - 9.1.5 Removing from all outside appointments to which the member has been appointed or nominated by the Council for a stipulated period;

- 9.1.6 Instruct the Monitoring Officer to arrange appropriate training for the member;
 - 9.1.7 Withdraw for a stipulated period, facilities provided to the member by the Council, such as a computer, website and/or email and Internet access, to the extent that such a withdrawal is reasonable and proportionate to the nature of the breach and does not unduly restrict the person's ability to perform the functions of a member;
 - 9.1.8 Exclude the member from the Council's offices or other premises for a stipulated period, with the exception of meeting rooms as necessary for attending Council, Committee and Sub-Committee meetings; or
 - 9.1.9 Limit access to officers for a stipulated period or require communication between the member and officers or other persons or bodies to be confined to certain forms or ceased for a stipulated period.
- 9.2 The hearings sub-committee has no power to suspend or disqualify the member or to withdraw members' allowances.

10 What happens at the end of the hearing?

- 10.1 At the end of the hearing, the Chair will state the decision of the hearings subcommittee as to whether the member failed to comply with the Code of Conduct and as to any actions which the hearings sub-committee resolves to take. As soon as reasonably practicable thereafter, the Monitoring Officer shall prepare a formal decision notice in consultation with the Chair of the hearings subcommittee, and send a copy to the complainant, to the member, make that decision notice available for public inspection and report the decision to the next convenient meeting of the Council.

11 What is the hearings sub-committees?

- 11.1 The hearings sub-committee is a sub-committee of the Council's **Audit and Governance** * Committee. The subcommittee will comprise 3 members of the **Audit and Governance** Committee and be made up of members drawn from at least two different political parties and where possible will be gender balanced. If an appropriately constituted hearings sub-committee cannot be drawn from the members of **the Audit and Governance** Committee, it will be drawn from a panel of named substitutes who have received appropriate training alongside the **Audit and Governance** Committee members. The Independent Person is invited to attend all meetings of the sub-committee and their views are sought and taken into consideration before the sub-committee takes any decision on the matters before them. Insofar as is possible, members will be selected who have no connection with the subject matter of the complaint.

12 Who is the Independent Person?

- 12.1 The Independent Person is a person who has applied for the post following advertisement of a vacancy and is appointed by a positive vote from a majority of all the members of Council. A person cannot be "independent" if they:

- 12.1.1 Is, or has been within the past five years, a member, co-opted member or officer of the authority, with the exception that former Independent Members of Standards Committees can be appointed as Independent Persons;
- 12.1.2 Is or has been within the past five years, a member, co-opted member or officer of a parish council within the authority's area, or
- 12.1.3 Is a relative, or close friend, of a person within paragraph 12.1.1 or 12.1.2 above. For this purpose, "relative" means:
 - 12.1.3.1 Spouse or civil partner;
 - 12.1.3.2 Living with the other person as husband and wife or as if they were civil partners;
 - 12.1.3.3 Grandparent of the other person;
 - 12.1.3.4 A lineal descendant of a grandparent of the other person;
 - 12.1.3.5 A parent, sibling or child of a person within paragraphs 12.1.3.1 or 12.1.3.2;
 - 12.1.3.6 A spouse or civil partner of a person within paragraphs 12.1.3.3, 12.1.3.4 or 12.1.3.5; or
 - 12.1.3.7 Living with a person within paragraphs 12.1.3.3, 12.1.3.4 or 12.1.3.5 as husband and wife or as if they were civil partners.

13 Right of Appeal

- 13.1 There is no right of appeal for the complainant or for the member against a decision of a hearings sub-committee. If the complainant considers that the Council has failed to deal with the complaint properly, they may make a complaint to the Local Government Ombudsman.

AUDIT AND GOVERNANCE HEARING SUB- COMMITTEE: RULES OF PROCEDURE FOR HEARINGS

Interpretation

- 1. 'Member' means the member of the authority who is the subject of the allegation being considered by the Sub- Committee, unless stated otherwise. It also includes the member's nominated representative.
- 2. 'Investigator' means the Monitoring Officer or other investigating officer and their nominated representative.
- 3. 'Committee' also refers to 'a **Audit and Governance** hearing sub-committee' or "hearings sub committee" that may be considering the allegation against a member.
- 4. 'Legal Adviser' means the officer responsible for providing legal advice to the Sub- Committee. This may be the Monitoring Officer, another legally qualified officer of the authority or someone appointed for this purpose from outside the authority.

Representation

5. The member may be represented or accompanied during the meeting by a Solicitor, Counsel or, with the permission of the Sub-Committee (which will not be unreasonably withheld), another person.

Legal Advice

6. The Sub-Committee may take legal advice from its legal adviser at any time during the hearing or while they are considering the outcome. The substance of any legal advice given to the Sub-Committee should be shared with the member and the investigator if they are present.

Setting the Scene

7. After all the members and everyone involved have been formally introduced, the Chair should explain how the Committee is going to run the hearing.

Preliminary Procedural Issues

8. The Sub-Committee should then resolve any issues or disagreements about how the hearing should continue, which have not been resolved during the pre-hearing process.

Making Findings of Fact

9. After dealing with any preliminary issues, the Sub-Committee should then move on to consider whether or not there are any significant disagreements about the facts contained in the investigator's report.
10. If there is no disagreement about the facts, the Sub-Committee can move on to the next stage of the hearing (paragraph 18).
11. If there is a disagreement, the investigator, if present, should be invited to make any necessary representations to support the relevant findings of fact in the report. With the Sub-Committee's permission, the investigator may call any necessary supporting witnesses to give evidence. The Committee should give the member an opportunity to challenge any evidence put forward by any witness called by the investigator.
12. The member should then have the opportunity to make representations to support their version of the facts and, with the Sub-Committee's permission, to call any necessary witnesses to give evidence.
13. At any time, the Sub-Committee may question any of the people involved or any of the witnesses and should allow the investigator to challenge any evidence put forward by witnesses called by the member.

14. If the member disagrees with most of the facts, it may make sense for the investigator to start by making representations on all the relevant facts, instead of discussing each fact individually.
15. If the member disagrees with any relevant fact in the investigator's report, without having given prior notice of the disagreement, good reasons must be given for not mentioning it before the hearing. If the investigator is not present, the Sub-Committee will consider whether or not it would be in the public interest to continue in the Investigator's absence. After considering the member's explanation for not raising the issue at an earlier stage, the Sub-Committee may then: -
 - 15.1 Continue with the hearing, relying on the information in the investigator's report;
 - 15.2 Allow the member to make representations about the issue, and invite the investigator to respond and call any witnesses, as necessary: or
 - 15.3 Postpone the hearing to arrange for appropriate witnesses to be present, or for the investigator to be present if not already present.
16. The Sub-Committee will usually move to another room to consider the representations and evidence in private.
17. On their return, the Chair will announce the Sub-Committee's findings of fact.

Did the Member fail to follow the Code?

18. The Sub-Committee then needs to consider whether or not, based on the facts it has found, the member has failed to follow the Code of Conduct.
19. The member should be invited to give relevant reasons why the Sub-Committee should not decide that the member has failed to follow the Code.
20. The Sub-Committee should then consider any verbal or written representations from the investigator.
21. The Sub-Committee may, at any time, question anyone involved on any point they raise in their representations.
22. The member should be invited to make any final relevant points.
23. The Sub-Committee will then move to another room to consider the representations.
24. On their return, the Chair will announce the Sub-Committee's decision as to whether or not the member has failed to follow the Code of Conduct.

If the Member has not failed to Follow the Code of Conduct

25. If the Sub-Committee decides that the member has not failed to follow the Code of Conduct, the Sub-Committee can move on to consider whether it should make any recommendations to the authority.

If the Member has failed to Follow the Code

26. If the Sub-Committee decides that the member has failed to follow the Code of Conduct, it will consider any verbal or written representations from the investigator and the member as to:

26.1 Whether or not the Sub-Committee should set a penalty: and

26.2 What form any penalty should take.

27. The Sub-Committee may question the investigator and member, and take legal advice, to make sure they have the information they need in order to make an informed decision.
28. The Sub-Committee will then move to another room to consider whether or not to impose a penalty on the member and, if so, what the penalty should be.
29. On their return, the Chair will announce the Sub-Committee's decision.

Recommendations to the Authority

30. After considering any verbal or written representations from the investigator, the Sub-Committee will consider whether or not it should make any recommendations to the authority, with a view to promoting high standards of conduct among members.

The Written Decision

31. The Sub-Committee will announce its decision on the day and, where possible, provide a short-written decision on that day. It will also need to issue a full written decision shortly after the end of the hearing. It is good practice to prepare the full written decision in draft on the day of the hearing, before people's memories fade.

Power to regulate own proceedings

32. The Chair of the Sub-Committee has the right to depart from these arrangements where they consider that it is expedient to do so in order to secure the effective and fair consideration of any matter being dealt with at a meeting of the hearings sub-committee.

nplaw

Guidance for undertaking standards investigations

Introduction

“A relevant authority must promote and maintain high standards of conduct by members and co-opted members of the authority...”¹ “in discharging its duty... a relevant authority must, in particular, adopt a code dealing with the conduct that is expected of members and co-opted members of the authority when they are acting in that capacity.”²

“A relevant authority other than a parish council must have in place... arrangements under which allegations can be investigated, and... arrangements under which decisions on allegations can be made.”³

A monitoring officer can delegate the investigation to another named individual or organisation. Monitoring officers will generally wish to delegate most investigations where:

- A conflict of interest would arise if the monitoring officer was to complete the investigation;
- The relevant authority is small and to ensure an experienced officer is available to carry out the investigation; or
- It is the best use of resources. In particular, as investigations can be time consuming and better delegated to an officer who has the time and practical skills to undertake the investigation in a timely manner.

¹ Section 27(1) Localism Act 2011

² Section 27(2) Localism Act 2011

³ Section 28(6) Localism Act 2011 -

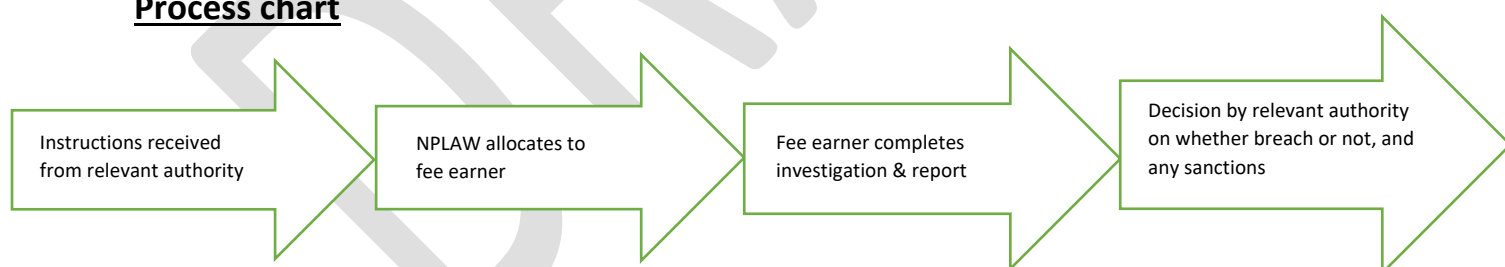
nplaw acts on behalf of relevant authorities in conducting standards investigations on behalf of clients. Nplaw has been carrying out these investigations for a number of years and has a wealth of experience both in standards and other investigations at all different tiers in local authorities. Legally qualified fee earners will be allocated investigations based on their complexity.

This document sets out nplaw's guidance on conducting standards investigations, including what to expect in the investigatory report.

Key principles

- The investigator will always have regard to their obligations under the Human Rights Act 1998, the Data Protection Act 2018 and all relevant legislation, case law and guidance.
- The investigator will always consider natural justice, equity and duties under the Equality Act, including the public sector equality duty.
- The investigation will always be fair, unbiased and the integrity of the investigation must be preserved.

Process chart



Any referral by a relevant authority must set out the allegation to be investigated by nplaw.

The Monitoring Officer will pass the investigator all relevant information (including the complaint form, evidence submitted and any information presented by the subject of the complaint).

It should be noted that the relevant authority must also appoint at least one independent person whose views are to be sought and considered about its decision about the allegation.⁴

Timeframes

Realistic targets should be set for the completion of the investigation. Best practice is that most investigations and reports are completed within 6 months of the original complaint. However, this will depend on the complexity of the issues to be investigated and the availability of key witnesses.

Any hearing required to determine the outcome should normally be held within 3 months from when the investigation is completed.

Starting point

When the investigation begins, the investigator must confirm:

- That the subject member was acting as a Councillor at the time of the conduct alleged;
- The part of the relevant authority's code which is alleged to have been breached;
- The facts they believe are required to determine whether there has been a breach of the code;
- The evidence required. This might be minutes, social media posts, emails or text messages etc;
- Who they will interview – this will be the subject member at a minimum; and;
Whether any parties need to provide further information or supporting evidence.

Those involved with the matter (Subject Member, Complainant etc.) will have been informed about allegation and, that the matter is to be investigated, by the Council.

The investigator will agree the scope of the investigation and the anticipated timeframes with the Monitoring Officer and then contact the:

⁴ Section 28(7) Localism Act 2011.

- The subject member;
- The complainant; and
- The relevant town or parish council, if the subject member is a town or parish member.

The investigator will confirm that they are undertaking the investigation, the scope or likely time frames, who they will interview and their contact details, where further evidence can be sent and any changes to scope can be discussed.

No changes to scope will be made until agreed by the Monitoring Officer.

Obtaining information

The investigator has the power to make inquiries of any necessary person, but that person has no obligation to respond.

Large amounts of evidence are often put forward during an investigation. The investigator's powers only extend to the scope of the investigation that they have agreed. If they uncover any evidence of other breaches, the investigator will refer these back to the Monitoring Officer to discuss whether they are in scope.

The investigator will refer the matter back to the Monitoring Officer for further guidance/discussion where:

- Evidence of further breaches is uncovered.
- It may be that the matter is much more serious than originally considered; and/or
- The investigator has been obstructed in completing the investigation.

The information gathered as part of the investigation must be treated as confidential. Interviewees and anyone else aware of the investigation will be informed that it is confidential. Any sharing of confidential information by a Councillor may be referred by the investigator to the Monitoring Officer who will consider whether there is a breach of the Code of Conduct.

Witnesses

Witnesses are to be determined by the investigator during the scoping exercise. If there is a disagreement as to the witnesses to be interviewed the matter will be discussed with the Monitoring Officer.

Only witnesses of the fact will be interviewed. Character witnesses will not be discussed at this stage.

Witnesses will be interviewed by the investigator and will be invited to have another person present for support only.

They will be asked to agree to keep the matters discussed during the interview as confidential. They will also be asked to confirm that they are happy that any statement that they give will be shared with the subject member, the complainant and the Monitoring Officer. Further they will be asked to confirm that they are content that their statement may be shared publicly and whether they are comfortable giving evidence at any hearing.

If a witness refuses to give evidence due to concerns about identification, the investigator will discuss the matter with the Monitoring Officer and in exceptional circumstances (evidenced concern regarding abuse/safety) it may be agreed that the statement will be admitted anonymously. If this is the case, if the matter goes to a hearing, the Standards Committee must consider what weight, if any, to put on such evidence.

After the interview the investigator will collate the draft statement and send it to the witness. The investigator will only admit the witness statement into evidence where it has been confirmed by the witness.

Documents

Documents submitted to the investigation will be considered by the investigator. Only those relevant to the scope of the investigation will be included.

Public documents will remain unredacted, however any documents containing personal information of their parties will have the third-party information redacted by nplaw.

Report

The report will provide a concise explanation of all the issues in the case, the evidence considered and draw a conclusion.

Any conclusions about the evidence will be based on the balance of probabilities.

The investigator may recommend sanctions based on their view of the severity of the breach, if the Monitoring Officer requests them to, but any sanctions imposed are matter for the relevant authority.

A draft of the investigation report will be sent to the subject member and Monitoring Officer for comment. Any factual amendments will be made. The report will not be sent to witnesses.

Any substantive commentary from the subject member or the complainant will be annexed to the report.

All reports produced by nplaw will use the same format (see template at Annex A). The report should contain:

- The date;
- Details of the allegation;
- A summary of the scope as agreed with the Monitoring Officer;
- The relevant sections of the Code of Conduct, protocols or statute in force at the time of the allegation;
- Whether the subject member was acting as a Councillor at the time of the alleged breach of the Code of Conduct;
- The subject member's response to the notification of the allegation (if any);
- The views of the Independent Person;
- A list of those persons they have interviewed and those organisations from whom they have sought information;
- A note of any person or organisation who has failed to co-operate with the investigation and the manner;
- Findings of fact with regard to the allegation;
- Whether the finding of fact amount to a breach of the Code of Conduct;

- Mitigating and aggravating factors;
- Conclusion;
- Evidence index; and
- Evidence bundle (to be referenced in the report).

The report will conclude, in the investigator's opinion and on the balance of probabilities either

- That the subject member has failed to comply with the relevant authority's Code of Conduct; or
- The subject member has not failed to comply with the relevant authority's Code of Conduct.

The reasons will be explained, but the report should also state that it is possible that the relevant authority could reach a different conclusion.

The report should be sent to:

- The subject member;
- The relevant authority; and
- Any other authority which the subject member is a member (if requested).

What happens next?

The relevant authority (Monitoring Officer or relevant committee) must decide:

- Whether a hearing is needed; if so,
- Whether it finds that the subject member has failed to comply with the Code of Conduct or not;
- Whether to take action in relation to the subject member; and
- What action to take, in line with the relevant authority's own guidance.⁵

⁵ Section 28(11) Localism Act 2011.

If the relevant authority is not satisfied that the investigation has been properly conducted, it may ask the investigator to reconsider their report. If this is the case, an additional scoping exercise is to be undertaken.

Some relevant authorities may have a process whereby the matter can be reasonably resolved without the need for a hearing. Where this is the case the investigator will not be required to attend a hearing to present their report.

The investigator will attend any hearing held to present their report and findings of fact. They will answer questions from the committee and subject member. It may be necessary for the investigator to call witnesses to clarify any points and allow the subject member the opportunity to challenge the evidence.

The investigator will not take part in the decision-making process and they will not legally advise the decision maker.

Audit and Governance Committee

Item No: 13

Report Title: Work Programme

Date of Meeting: 30 April 2024

Responsible Cabinet Member: N/A

Responsible Director: Harvey Bullen, Director of Strategic Finance, Section 151 Officer, Finance Directorate

Is this a Key Decision? No

Executive Summary

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.

Following constitutional changes agreed by Full Council on 19th of July 2022 the Audit and Standards Committee have merged.

Recommendations

The Committee are asked to consider and agree:

- the work programme for the Committee
- if further information is required.

1. Background and Purpose

- 1.1 In accordance with its Terms of Reference, which is part of the Constitution, the Committee should consider the programme of work set out below.

2. Proposal

2.1 The proposed work is set out below:

- **25 July 2024** reports
 - Director of Strategic Finance (S151 Officer)
 - Children's Services Budget Forecasting
 - Governance of Norfolk Pension Fund 2023-24
 - NAS Quarterly Report Quarter ended June 2024
 - Risk Management Report and Risk Management Annual Report 2023-24
 - Audit and Governance Committee Annual Report 2023-24
 - Norfolk Audit Services Annual Report 2023-24
 - Money Laundering Reporting Officer (MLRO) Report 2023-24
 - Audit Committee Work Programme
 - Assistant Director Legal Services (Monitoring Officer)
 - Annual Monitoring Officer report 2023-24
 - Anti-Fraud and Corruption Strategy and Whistleblowing Update and Anti-Fraud and Corruption Annual Report 2023-24
 - Executive Director of Strategy and Transformation
 - Annual SIRO Report 2023-24
- **October 2024** reports
 - Director of Strategic Finance (S151 Officer)
 - NAS Quarterly Report Quarter ended September 2024
 - Risk Management Report
 - External Audit - Audit Results Report 2023-24 and Letter of Representation
 - Annual Statement of Accounts and Annual Governance Statement 2023-24
 - Audit Committee Work Programme
 - Assistant Director Legal Services (Monitoring Officer)
 - Anti-Fraud and Corruption Strategy and Whistleblowing Update

- Medium Term topics to note:
 - Executive Director, CES - Environmental Policy Update

2.2 The Committee may wish to propose further reports on additional topics relevant to the Committee's terms of reference.

3. Impact of the Proposal

3.1 As a result of the delivery of the work plan the Committee will have assurance through audit conclusions and findings that internal controls, governance and risk management arrangements are working effectively or there are plans in place to strengthen controls.

4. Evidence and Reasons for Decision

4.1 Not applicable.

5. Alternative Options

5.1 There are no alternative options.

6. Financial Implications

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

7. Resource Implications

7.1 There are no Staff/Property or IT implications

8. Other Implications

8.1 There are no Legal /Human Rights/ Equality Impact Assessment (EqIA) /Data Protection Impact Assessments (DPIA)/Health and Safety/Sustainability or other implications.

9. Risk Implications / Assessment

9.1 There are no risk implications. Risk Management reports feature in the programme.

10. Select Committee Comments

10.1 None.

11. Recommendations

1. Please see the Executive Summary above.

12. Background Papers

12.1 None.

Officer Contact

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

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