

Audit Committee

Item No.....

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| Report title: | Norfolk Audit Services Report for the quarter ending 30 June 2017 |
| Date of meeting: | 21 September 2017 |
| Responsible Chief Officer: | Executive Director of Finance and Commercial Services |
| Strategic impact The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference, which is part of the Council's Constitution at part 4.1 (please click on the underlined text to link to the webpage) | |
| Executive summary The new administration has a clear set of priorities based around 'Caring for our County'. Internal Audit's work will contribute to these new priorities, being: <ul style="list-style-type: none">• Caring for your money• Caring for your family• Caring for your community• Caring for your health and well being• Caring for your roads and environment• Caring for your economy The Audit Committee is recommended to consider and comment on: <ul style="list-style-type: none">- the overall opinion on the effectiveness of risk management and internal control being 'Acceptable' and therefore considered 'Sound'- Satisfactory progress with the traded schools audits and the operation of the Audit Authority for the France Channel England Interreg Programme- That plans are being established to strengthen corporate development themes of: Strategy into Action/Accountability, Commerciality/Business Like, Data Analytics/Evidence Based and Collaboration/Influencing for the internal audit function | |

1. Proposal (or options)

1.1 The proposal is covered in the Executive Summary above.

2. Evidence

2.1 This section covers:

- Work to support the opinion (2.2)
- Other relevant information (2.17)
- France Channel England FCE Update (2.19)
- External matters of Note (2.22)

2.2 Work to Support the opinion

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

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

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

- Managing vacancies (recruitment for the Principal Client Manager roles)
- Managing productivity rates
- Un-planned investigatory and preliminary assessments of allegations work in the period.

2.5 A list of final reports for the last period is attached as **Appendix A**. The progress with delivering the audit plan, including totals up to the end of the year is shown in Table 1 below.

Table 1: Final Audit Reports

| Report type | Q1 | Q2 | Q3 | Q4 | Total to 30/06/2017 | Annual Target |
|--|-----------|----|----|----|---------------------|---------------|
| Final audit reports (non-schools) | 6* | | | | 6* | 20 |
| Final audit reports (schools – compliance/themed Audits) | 0 | | | | 0 | |
| Management Letters | 7 | | | | 7 | |
| Total Audits for opinion work | 13 | | | | 13 | 20* |

| | | | | | | |
|--|---|--|--|--|---|----|
| Traded Schools (including traded audits and healthchecks) | 8 | | | | 8 | 34 |
| Certified grant claims | 7 | | | | 7 | 30 |
| Follow-up report | 0 | | | | 0 | |
| Pension Audits | 3 | | | | 3 | 10 |

*It should be noted that these figures include final reports issued in relation to finalisation of carried forward 2016-17 audits

** The target is for 20 Final Report and 7 Draft by the year end

- 2.6 Corporate High Priority Audit Findings identified during audits are followed up. We have received assurance from the relevant Assistant Directors and Managers to confirm satisfactory action has been taken. Details are shown in table 2 below:

Table 2: Corporate High Priority Audit Findings

| Department | Green Rated | Blue Rated | Total |
|---|----------------|---------------|--------------|
| Adult Care | 1 | 3 | 4 |
| Children's Services | 2 | 1 | 3 |
| Communities and Environment | 0 | 0 | 0 |
| Finance and Commercial Services | 8 | 1 | 9 |
| Total NCC | 11 | 5 | 16 |
| Schools | 0 | 0 | 0 |
| Total Corporate High Priority Findings | 11 | 5 | 16 |

- 2.7 Progress with the action plan for the County Farms Audit, reported to this committee in January 2017, has been reported to the Business and Property Committee on 8 September 2017, [starting page 43](#). (Please click on underlined text to link to the report)
- 2.8 Following the tragic events in Kensington, the Chairman of the Committee requested a report on several Fire Safety related topics under Items of Urgent Business (6.2) at the meeting on 15 June 2017.
- An advisory email was sent to all Members on 15 June 2017 and subsequently an advisory email was sent all staff on 27 June 2017. A briefing note was then provided for the Chairman of the Audit Committee on 10 July 2017. While the causes of the Kensington fire

were being established the emails provided assurance that fire safety arrangements are under regular review and it was considered there were satisfactory systems in place at County Hall and two other offices, that the Council leases (Vantage House and Havenbridge), where aluminium cladding was used. Fire safety on commercial premises is built on a number of systems – based on current guidance and use the sites are safe. This remains under review, particularly where there may be any new guidance issued.

- b. There are established and tested procedures for fire escape routes, drills and tests. There are two test total evacuations of the buildings in any 12 month period. There are regular visits from the Norfolk Fire and Rescue Service and Fire Risk Assessments. There are trained Fire Wardens and Evac Chair Volunteers throughout the building.
- c. There is a new fire alarm system and sprinkler system at County Hall.
- d. The County Hall Fire alarm system is linked to the Fire and Rescue Service
- e. There are comprehensive Resilience and Business Continuity plans in place for Council services.
- f. Fire Safety is funded through the general maintenance budget for Council buildings.

- 2.9 There continues to be a good take up of Traded Schools Audits.
- 2.10 There was one formal investigation at a school in the quarter and several assessments of allegations that were received.
- 2.11 Work is underway to develop an action plan for the Internal Audit Team to further develop four 'ways of working':
- Strategy into Action/Accountability
 - Commerciality/Business Like
 - Data Analytics/Evidence Based
 - Collaboration/Influencing

Whistleblowing

- 2.12 The responsibility for managing Whistleblowing referrals has transferred to the Council's Chief Internal Auditor. Investigations are delegated to a Senior Officer in the relevant department or to Internal Audit for financial concerns.

Anti-Fraud and Corruption

- 2.13 NAS has appointed an Investigative Auditor who started on 5 June 2017. He is currently updating the Anti-fraud action plan to ensure that it reflects the way he will take his role forward. His first projects will be to review and update the following:

- The Council's Anti-Fraud and Corruption Strategy
 - The e-learning packages research for the business case for mandatory completion for all employees
 - Promotion of the Strategy and related policies such as the Whistleblowing Policy (para 2.10)
- 2.14 Our Audit Universe and Audit Needs Assessment continue to be reviewed during each quarter to ensure topics remain relevant and that new topics are considered on a risk assessed basis.
- 2.15 Norfolk Audit Services makes every effort to reduce its carbon footprint. More details are described in **Appendix B**, Section 4 (4.2)
- 2.16 Satisfaction Questionnaires are issued with draft reports and grant work performed. We have received positive feedback for 7 responses in the quarter ending 30 June 2017, as shown at **Appendix B, 5.2.5**. We will continue to stress to clients how important feedback is to us to seek to improve response rates.
- 2.17 The operation of the France Channel England Interreg Audit Authority is progressing satisfactorily (see 2.20 below).
- 2.18 Supporting notes and Technical Details for this report appear at **Appendix B**, for reference only.
- 2.19 **Other relevant information**
- 2.20 Audit Committee members received training on the Role of the Audit Committee, on 24 July 2017.
- 2.21 The Policy and Resources Committee receives regular reports on Performance and Risk and the delivery of financial savings.
- 2.22 **France (Channel) England (FCE) update –**
- 2.23 The Audit Authority is now established and several draft audit reports have been issued since the last reported quarter. Recruitment of the FCE Auditor is being planned.
- 2.24 The FCE team staff continues to attend relevant training events organised by the European Commission or Member States in order to build capacity and knowledge at the required levels.
- 2.25 **External Matters of Note**

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

1. Progress on the Government Estate Strategy – 25 April 2017
2. Good practice from the excellence in Reporting in the Public Sector Award – Building Public Trust in Corporate Reporting Awards – 19 April 2017
3. Protecting Information Across Government – 23 May 2017
4. Online Fraud – 30 June 2017

2.27 There are no other external matters to note this period.

3. Financial Implications

- 3.1. The expenditure falls within the parameters of the Annual Budget agreed by the Council.
- 3.2. Norfolk Audit Services has delivered approved savings in 2016-17 by adhering to the planned budget and preparing for ongoing savings as required.
- 3.3. All standard audits are allocated a budget (£) which is formally monitored at draft and final report stages. A target for 2017-18 has been set to deliver 100% of audit work is within budget. At present 62.5% of audit work is keeping to the original budget (+ 10%). Generally when audit work is over budget it is because the completion of the work, including obtaining agreement to findings and obtaining action plans, has taken longer than originally planned. Other factors that have contributed to completion of work being over budget this past quarter included staff changes. In addition we delivered a number of complex audits that required more time than planned. Audit budgets will be actively managed to ensure all future audit work is kept within budget.
- 3.4. The costs of half yearly audit plans are communicated to the Executive Director of Finance and Commercial Services.

4. Issues, risks and innovation

4.1. There are no implications with respect to:

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

5. Background

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

Officer Contact

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

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

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Appendix A

Norfolk Audit Services Final Reports Issued in the Quarter ending 30 June 2017

There were 31 final reports, 9 non schools, 2 full traded school audits, 6 traded school health checks, 7 management Letters. In addition 7 grants were certified during the period.

Final Reports

Children's Services

1. Contract management of non-NCC Children's homes

Finance

2. Property Security
3. Accounts Receivable
4. Accounts Payable
5. Hethel – Sub Co.
6. Awareness of IM Policies, Procedures, Roles and Responsibilities

Pension

7. Business Continuity Planning/Disaster Recovery
8. National LGPS Procurement Frameworks
9. Pensions Oversight Board – Compliance with their Terms of Reference and Forward Plan.

Traded Audits

10. Wicklewood Primary School
11. The Bawburgh School

School Traded Healthchecks

12. Corpusty Primary School
13. Brundall School
14. Sheringham Woodfields School
15. Scole CE VC Primary School
16. Toftwood Infant School
17. Spixworth Infant School

Management Letters

Adults Social Services

18. Home Care providers National Minimum Wage (phase 2)

Finance

19. Contract Register
20. Norse – Sub Co.
21. Norfolk Energy Future – Sub Co.
22. Norfolk Safety – Sub Co.

Schools

23. Information Security

Strategic

24. Norfolk Fire & Rescue Service

Certified Grants

- 25. BDUK 2016-17 Q3
- 26. BDUK 2016-17 Q4
- 27. Police and Crime panel (p/e March 2017)
- 28. NORSE (p/e March 2017)
- 29. Transforming Care (June 2016) –
- 30. BID REX (April)
- 31. EIFCA grant

Technical Details

Notes for section 2

2.1 Productive Time

- 2.1.1 Norfolk Audit Services monitor the productive and non-productive time of the team on a regular basis to ensure delivery of an effective and efficient service. The target for time NAS staff spends on work supporting the audit opinion has been set at 61.1% for the 2017-18 year. This takes into account time required for general management, training, team development and induction of new or temporary staff.

2.2 Investigations Procedure

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

Notes for section 4

4.1 Crime and Disorder Act 1998

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

4.2 Sustainability

4.2.1 Norfolk Audit Services makes every effort to reduce its carbon footprint. Distance travelled is taken into account when booking audits outside of the County Hall, booking auditors living closest to the venues. Our team uses all recycling facilities available to us working at County Hall in order to reduce consignment to landfill. We monitor our printing/photocopying usage half yearly and encourage people to reduce where they can.

4.2.2 Norfolk Audit Services continually review our performance and costs.

Notes for Section 5

5.1 Audit Opinions

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

5.2 The difference we are making

5.2.1 Audit findings have provided assurance or where necessary led to agreed actions to address any identified weaknesses in risk management and internal control. This demonstrates the Council's good Value for Money and thus supports the Council's Plan and its Strategic Ambitions. No actual savings or potential savings have been noted as a result of our audit work and grant claim certification in the last quarter.

5.2.2 Norfolk Audit Services have adopted a "Statement of Customer Pledge and Remedy".

5.2.3 The work undertaken by Norfolk Audit Services complements the work of the external auditors. There is a good working relationship between Internal and External Audit such that in total they give adequate audit coverage to all areas of the Council's activities. Norfolk Audit Services is responsible for communicating the final results of their audit work to parties who can ensure that the results are given due consideration.

5.2.5 Feedback received was as follows:

| Type of work | Questionnaires issued | Questionnaires received |
|-----------------------------|--------------------------|--|
| Standard audit | 10 | 7 |
| Grants | 0 | 0 |
| Analysis of results: | | |
| | Expectations Met* | Disappointed or Very Disappointed |
| | 7 | 0 |

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