

Audit Committee

Date: **Tuesday, 23 January 2018**

Time: **10:00**

Venue: **Edwards Room, County Hall,
Martineau Lane, Norwich, Norfolk, NR1 2DH**

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

Membership

Mr I Mackie Chairman
Mr S Aquarone
Mr C Foulger
Mr A Jamieson
Mr S Morphew
Mr H Thirtle Vice-Chairman
Mrs K Vincent

**For further details and general enquiries about this Agenda
please contact the Committee Officer:**

Julie Mortimer on 01603 223055 or email committees@norfolk.gov.uk

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

A g e n d a

1. **To receive apologies and details of any substitute members attending**
2. **To confirm the minutes of the Audit Committee meeting held on 21 September 2017.** **Page 4**
3. **Declarations of Interest**

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

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

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

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an **Other Interest** in a matter to be discussed if it affects

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

If that is the case then you must declare such an interest but can speak and vote on the matter.
4. **Any items of business the Chairman decides should be considered as a matter of urgency**
5. **Risk Management Report** **Page 20**

Report by the Executive Director of Finance & Commercial Services
6. **Norfolk Audit Services Report for the quarter ending 30 September 2017** **Page 62**

Report by the Executive Director of Finance & Commercial Services
7. **External Auditor's Annual Audit Letter 2016-17 and Audit Committee Briefing** **Page 73**

Report by the Executive Director of Finance & Commercial Services
8. **Internal Audit Strategy, Approach, Strategic Plan 2018-21 and Internal Audit Plan for the first half of the year 2018-19** **Page 113**

Report by Executive Director of Finance & Commercial Services

- | | |
|--|-----------------|
| 9. Counter Fraud, Bribery and Corruption Audit Committee Progress Report
Report by the Chief Legal Officer | Page 159 |
| 10. Norfolk County Council's Insurance Cover
Report by the Executive Director of Finance & Commercial Services | Page 237 |
| 11. Work Programme
Report by the Executive Director of Finance & Commercial Services | Page 245 |

Audit Committee Group Meeting

Conservative Group 9am Conservative Group Room, South Wing, County Hall

Chris Walton
Head of Democratic Services
County Hall
Martineau Lane
Norwich
NR1 2DH

Date Agenda Published: 15 January 2018



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Audit Committee
Minutes of the Meeting held on Thursday 21 September 2017 at
2pm in the Edwards Room, County Hall, Norwich

Present:

Mr I Mackie - Chairman
Mr C Foulger
Mr A Jamieson
Mr S Morphew
Mr H Thirtle – Vice-Chairman
Mrs K Vincent

1 Apologies for Absence

- 1.1 An apology for absence was received from Steffan Aquarone.

2 Minutes

- 2.1 The minutes from the Audit Committee meeting held on 15 June 2017 were agreed as an accurate record and signed by the Chairman.

3 Declaration of Interests

- 3.1 Mrs K Vincent declared an interest in items 7 and 8 as she was a member of the Norfolk Pension Fund.
- 3.2 Mr H Thirtle declared an interest in items 7 and 8 as he was a member of the Norfolk Pension fund.
- 3.3 Mr S Morphew declared an interest in items 7 and 8 as his wife was a member of the Norfolk Pension Fund.
- 3.4 Mr A Jamieson declared an interest in items 7 and 8 as he was a Director of Norse.
- 3.5 Mr C Foulger declared an interest in item 8 as he was a Director of Hethel Innovation Ltd.

4 Items of Urgent Business

- 4.1 At its last meeting, following the tragic fire at Grenfell Tower in Kensington, the Committee had commissioned a short report investigating the safety of the cladding recently installed on the exterior of the main County Hall building, including fire escape routes in County Hall; fire alarm system and drills; whether the fire alarm system was linked to Diamond Jubilee Carrow Fire Station and provisions for Fire Wardens in the building. The Committee also requested that the review should address business contingency plans that would be implemented to provide vital services if County Hall became dysfunctional.
- 4.2 The Committee welcomed the Head of Property and Head of Resilience to the meeting to provide an update.

- 4.3 The Head of Property advised that he had no further information to the update included at paragraph 2.8 of the report titled "Norfolk Audit Services Report for the quarter ending 30 June 2017" (Agenda item 5). The Head of Property added that officers were in regular contact with Norfolk Fire & Rescue Service and professional bodies for any additional requirements or remediation for office buildings. There were no plans to carry out additional testing at County Hall at the present time, although the situation would be closely monitored.
- 4.4 The Head of Resilience advised that, as part of the business continuity management process, systems were in place to identify risks and prioritise critical activities. Business Improvement Analysis was carried out two times per year which fed into the business continuity plans. The analysis included identifying alternative work areas in the event County Hall became non-operational, one example being the Professional Development Centre, Woodside Road, Norwich.
- 4.5 The Committee thanked the Head of Property and Head of Resilience for attending the meeting and for providing the update.

(For ease of reference, items appear in these minutes in the order in which they appeared on the agenda. This was not necessarily the order in which the items were considered at the meeting.)

5 Norfolk Audit Services Report for the Quarter ended 30 June 2017

- 5.1 The Committee received the report by the Executive Director of Finance & Commercial Services setting out how Internal Audit's work would contribute to the County Council's priorities around 'Caring for our County'.
- 5.2 The Chief Internal Auditor confirmed that his team would investigate the recommendation from Ernst & Young in the Audit report - section 7 (Assessment of Control Environment) - (The Council should review delegation procedures for the accounts payable financial system to mitigate the same person raising an order and approving payment.)
- 5.3 Following a concern raised about whistleblowing investigations being delegated to a senior officer in the relevant department, the Chief Internal Auditor confirmed that if there were particular points raised which needed specialist actions, the investigation would be delegated to the safeguarding team. Any financial whistleblowing investigations would be carried out by the Investigative Auditor.
- 5.4 The next report would include further information about the four 'ways of working' and how these could be built into the work of the audit team. The new ways of working were being developed to assist senior manager's shape their teams to fit into the organisational changes which were being undertaken.
- 5.5 The Committee **RESOLVED** to consider and comment on:
- The overall opinion on the effectiveness of risk management and internal control being 'acceptable' and therefore considered 'sound'.

- Satisfactory progress with the traded schools audits and the operation of the Audit Authority for the France Channel England Interreg programme.
- 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.

6 Governance, Control and Risk Management of Treasury Management

- 6.1 The Committee received the report by the Executive Director of Finance & Commercial Services concluding that the County Council's Treasury Management operations were fully compliant with the statutory and regulatory framework and recognised best practice.
- 6.2 In reply to a question it was confirmed that the Treasury Management Panel met three times per year.
- 6.3 The Committee **RESOLVED** to consider and comment on the report.

7 Norfolk Pension Fund Governance Arrangements

- 7.1 The Committee received the report by the Executive Director of Finance & Commercial Services and Head of Pensions outlining the ongoing governance arrangements of the Norfolk Pension Fund.
- 7.2 The Committee welcomed the Head of Norfolk Pension Fund and the Chief Investment Manager, who attended the meeting to present the report and answer questions from the Committee.
- 7.3 The Head of Norfolk Pension Fund gave the Committee some background information with regard to the ACCESS (A collaboration of Central, Eastern and Southern Shires) pool and how this linked with the governance arrangements. The Committee requested an update on the latest position at its January 2018 meeting.
- 7.4 In response to a question, the Head of Norfolk Pension Fund confirmed that the number of contributing employers to the Fund continued to rise. This was largely due to schools becoming academies which meant they became employers. The number of Active Members had also increased which was mainly due to the auto-enrolment scheme.
- 7.5 **RESOLVED**
- That the Committee consider the report which detailed to the Committee, Norfolk Pension Fund's governance arrangements, being fully compliant with legislative requirements, regulatory guidance and recognised best practice.

8 Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2017.

- 8.1 The Committee received the report by the Executive Director of Finance & Commercial Services introducing the External Auditor's (Ernst & Young) Norfolk

County Council and Norfolk Pension Fund Audit Results reports – Audit Committee Summary for the year ended 31 March 2017. The Committee was asked to consider the draft Ernst and Young Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2017.

- 8.2 The Committee welcomed Mr D Riglar and Mr M Hodgson from Ernst & Young who had attended the meeting to present the report.
- 8.3 During the presentation of the report, the following points were noted:
- It was hoped that the Audit would be signed-off during week commencing 25 September 2017.
 - An unqualified opinion was proposed.
 - There were no unadjusted errors.
 - The adjusted errors were insignificant.
 - With regard to Norfolk Pension Fund Audit Results Report, the Committee was advised that the Pensions Committee had considered the report at its meeting on 19 September 2017 and that an unqualified opinion was also proposed for the Norfolk Pension Fund accounts.
- 8.4 Mr Hodgson thanked officers at Norfolk County Council for their work in producing the draft accounts and advised that the Auditors had reached an “unqualified Value For Money conclusion”.
- 8.5 The Chairman thanked Mr Hodgson and Mr Riglar for attending the meeting and said he was delighted to hear the unqualified opinion. He commended Ernst & Young for their hard work, in particular with the challenges faced with the coterminous end of year for the Norse, Norfolk County Council and the Norfolk Pension Fund Accounts.
- 8.6 The Committee **RESOLVED** to consider the matters raised in the reports before Ernst & Young issue their audit opinion.

9 Annual Statement of Accounts and Annual Governance Statement 2016-17.

- 9.1 The Committee received the report by the Executive Director of Finance & Commercial Services introducing the Statement of Accounts and Annual Governance Statement of Norfolk County Council for 2016-17 which had been subject to external audit by Ernst & Young. It was expected that the Council would receive an unqualified audit opinion.
- 9.2 The Committee received some minor amendments to the report since the agenda had been published. A copy of amendments can be found at Appendix A to these minutes.
- 9.3 The following points were noted in response to questions from the Committee:
- 9.3.1 Once the opinion had been received from Ernst & Young, the Statement of Accounts would be published on the website by the deadline of 30 September 2017.

- 9.3.2 The Committee **agreed** to add the following paragraph to the Annual Governance Statement:

Paragraph 5.7 - Review Mechanisms for Norse.

"In accordance with Section 54, Part 6 of the Modern Slavery Act 2015 the NORSE Group's Slavery and Human Trafficking Statement for the financial year ending 31 March 2016 was signed on 8 June 2016."

- 9.3.3 The Norse Governance responsibilities were set out in Part 4.1 of the Norfolk County Council Constitution.

- 9.4 The committee recorded its thanks to the Finance Team for once again achieving this outcome for the council and for their hard work in the preparation of the annual statement of accounts.

- 9.5 The Committee **RESOLVED** to:

- Note that following annual reviews, the system of internal control and internal audit are considered adequate and effective for the purposes of the relevant regulations;
- Consider and approve the Annual Governance Statement (Appendix 2) and commend the final statement for signature by the Leader and the Managing Director;
- Consider and approve the Council's 2016-17 Statement of Accounts (Appendix 4);
- Note the Summary of the Statement of Accounts (Appendix 3) to be published alongside the full accounts.

10 Letters of Representation 2016-17

- 10.1 The Committee received the report by the Executive Director of Finance & Commercial Services providing details of the letters of representation in connection with the audit of the financial statements of Norfolk County Council for 2016-17.

- 10.2 A copy of the Norfolk Pension Fund letter of representation, which had been signed by the Chairman of the Pension Committee and the Executive Director of Finance and Commercial Services was circulated at the meeting. A copy of the letter is attached at Appendix B to these minutes.

- 10.3 The Committee **RESOLVED** to:

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

11 Revised Internal Audit Plan 2017-18

- 11.1 The Committee received the report by the Executive Director of Finance & Commercial Services asking it to consider the effectiveness of the system of internal audit including internal audit's strategy, plan and performance and that those arrangements were 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.

- 11.2 In response to a question it was clarified that the Income – Car Parking audit topic had been introduced to ensure that the revenue received from staff car parking charges and football match parking charges were correctly accounted for. Norse managed football match car parking, which was charged at £8/£10 per car per match. As this money was mainly cash payments, it was important to carry out an audit to ensure the revenue was appropriately accounted for. The money from football match car parking charges was part of the income target stream for the Norfolk Property Team.
- 11.3 The Chief Internal Auditor confirmed that, following the recruitment of the additional Principal Client Manager and the Investigating Auditor, the Audit Team was now in a good position from a staffing point of view to be able to deliver the Audit Plan.
- 11.4 The Committee **RESOLVED** to note:
- That internal audit's strategy and plan contribute to meeting the Council's priorities of 'Caring for our County', an effective system of internal audit and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice
 - That the 2017-18 Internal Audit Strategy has been revised for the second half of the year (Appendix A). The actual days available to deliver the audit opinion work within the strategy have reduced from 768 days to 706 days, however the days remain sufficient to support the opinion
 - The revised Internal Audit Plan to support the opinion for the whole year (Appendix Bi) is 706 days, which includes contractor time as part of our planned mixed economy delivery model. The opinion work plan will be managed flexibly to support the traded schools approach. Some audits timed for Quarters 1 and 2 are carried into the remainder of the year as work in progress.
 - The Strategy includes 100 days for the Investigative Auditor's work
 - The three year [Internal Audit Strategy](#), (item 8, Appendix A) agreed in January 2017, remains largely unchanged and will be refreshed in January 2018
 - The overall target for 2017-18 final reports and draft reports for audits are 20 and 7 respectively, to be reported on in the Annual Internal Audit Report.

12 Audit Committee Terms of Reference

- 12.1 The Committee received the report by the Executive Director of Finance & Commercial Services introducing the Committee's Terms of Reference. The

terms of reference for the Committee are considered as part of a regular formal review. No changes were proposed.

- 12.2 The Committee **RESOLVED** to consider the proposed Terms of Reference and that no changes were proposed.

13 Risk Management Report

- 13.1 The Committee received the report by the Executive Director of Finance & Commercial Services providing it with the corporate risk register as it stood in September 2017, along with an update on the Risk Management Strategy 2016-19 and other related matters, following the latest review conducted during August 2017.
- 13.2 The following points were noted in response to questions from the Committee:
- 13.2.1 The Committee asked the Risk Management Officer to ensure the risks were updated before the report was presented at its January 2018 meeting.
- 13.2.2 The only significant change to the risks since the last report was to risk number RM017 (Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£179.5m)) as the risk score had increased from 12 to 25. This change had been agreed by the Environment Development and Transport Committee at its June 2017 meeting.
- 13.2.3 Work was being undertaken to update Risks RM020a and RM020b (Failure to meet the long-term needs of Norfolk citizens) as it was recognised the two risks were similar. Discussions were taking place with the Executive Director of Adult Social Care to adapt the risks into one risk with the possibility of including Children's Services. The Committee was reassured that County Leadership Team reviewed and discussed the corporate risks and were aware of the long-term issues faced.
- 13.2.4 A suggestion was made that the Committee should undertake an investigation into the budget issues associated with the NDR contract to ensure that the lessons learned from this project were not repeated in future projects. The Committee agreed the suggestion but felt that any in-depth investigation should wait until the final budget costs were known, which was likely to be January 2018.
- 13.2.5 The Chairman of the NDR Working Group reassured the Committee that lessons were being learned from this contract which would be carried forward for future contracts.
- 13.3 The Committee **RESOLVED** to consider:
- a) The changes to the corporate risk register (Appendices A and B), the progress with mitigating the risks; and
 - b) The scrutiny options for managing corporate risks (Appendix C);
 - c) The movement of corporate risks since the last meeting (Appendix D);
 - d) If any further action is required.

14 Risk Management Policy Report

14.1 The Committee received the report by the Executive Director of Finance & Commercial Services providing it with an update following the full review of the Well Managed Risk Norfolk County Council Management of Risk Policy (2014).

14.2 The Committee **RESOLVED** to:

- Consider the content of the updated Risk Management Policy and the list of Risk Management Procedures.
- Approve the revised Policy.
- Recommend adoption of the revised Policy to the Policy & Resources Committee.

15 Anti-Fraud and Corruption Strategy Update

15.1 The Committee received the report by the Chief Legal Officer providing it with a summary of the proposed changes to the Anti-Fraud and Corruption Strategy and Associated policies following a review against the document: Fighting Fraud and Corruption Locally, The Local Government Counter Fraud and Corruption Strategy 2016-19.

15.2 In response to a question from the Chairman regarding fraud e-learning for every member of staff, which had been raised by the Committee on several occasions, the Chief Internal Auditor confirmed that a new strategy was now in place and a list was being compiled including budget holders and procurement staff members for whom the fraud training was recommended to be mandatory. Once the list of recommended mandatory staff had been compiled it would be considered by County Leadership Team. The Chief Internal Auditor would bring an update on the latest position to Audit Committee in January 2018.

15.3 The Committee **RESOLVED** to:

- Consider the content of the updated Strategy (Appendix 1) and Policy (Appendix 2).
- Consider the content of the proposed Activity Plan (Appendix 3).
- Approve the revised Strategy and Policy, and Activity Plan.
- Recommend adoption of the revised Strategy and Policy to the Policy & Resources Committee.

16 Audit Committee Work Programme

16.1 The Committee received the report by the Executive Director, Finance and Commercial Services setting out the programme of work.

16.2 In accordance with its Terms of Reference the Committee considered and **agreed** the programme of work outlined in the report, with the addition of updates to the following subjects for consideration at its January 2018 meeting:

- Update on Risk RM018 (NDR)
- Risk RM 020a/b (ASC)
- Update on ACCESS Pool Arrangements from the Head of Norfolk Pension Fund.

The meeting ended at 3.45pm.

CHAIRMAN



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Norfolk County Council

Audit Committee 21 September 2017

Supplementary information

Statement of Accounts changes since agenda draft

The following have been made to the Statement of Accounts after the agenda was issued as a result of continued detailed checking by both officers and auditors:

Page	Ref/note	Amendment
40	Note 5: Critical judgements in applying accounting policies.	Value of PFI operational assets corrected to £47.1m
42	Note 8: Events after the Reporting Period	Note references corrected, associated narrative updated.
56	Note 17 Financial Instruments	Carrying amount of non-PWLB debt and total corrected.
94	Group CIES	I&E re-allocations between services corrected to reflect audit changes and final group accounting adjustments.
108/9	Group accounts Note 12 Leasing	Minimum lease payment tables corrected for current/non-current split and consistency between table totals.

None of the changes above have had an impact on net assets, net cost of services or on reserves and balances. All have been discussed with the external auditors.



Norfolk Pension Fund

Delivering the Local Government Pension Scheme in Norfolk

LGC Finance Awards 2018

lgps



Appendix B

Tessa Gilbert
Executive Director
Ernst & Young
Apex Plaza
Forbury Road
Reading
RG1 1YE

Please contact **Robert Mayes**
Address **Norfolk Pension Fund
4th Floor Lawrence
House
5 St Andrews Hill
Norwich NR2 1AD**
Email **robert.mayes@norfolk.gov.uk**
Telephone **01603 222870**

22nd September 2017

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 2017. 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 year ended 31 March 2017 and of the amount and disposition of the Fund's assets and liabilities as at 31 March 2017, in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), 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 2016/17.
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 financial performance of the Fund in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, 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 2016/17 that are free from material misstatement, whether due to fraud or error.
6. There are no unadjusted audit difference identified during the current audit and pertaining to the latest period presented.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. 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.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Fund's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Fund.

C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
2. 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.
3. There have been no other communications with The Pensions Regulator or other regulatory bodies during the Fund year or subsequently concerning matters of non-compliance with any legal duty. We have drawn to your attention all correspondence and notes of meetings with regulators.

D. 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; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Pension and Audit held through the year to the most recent meeting on the following date: 27th June 2017 for the Pension Fund Committee and 15th June 2017 for the Norfolk County Council Audit Committee.
4. 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.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. 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.
7. No transactions have been made which are not in the interests of the Fund members or the Fund during the fund year or subsequently.

E. 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 litigation and claims, both actual and contingent.
4. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. As described in Note 6 to the financial statements, there have been no events 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 Norfolk Pension Fund Annual Report and Accounts 2016/17.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Derivative Financial Instruments

1. We confirm the Fund's statement of investment principles has been duly reviewed to ensure that such investments comply with any limitations imposed by its provisions.
2. The financial statements disclose all transactions in derivative financial instruments that have been entered into during the period, those still held by the Fund at the year end and the terms and conditions relating thereto.
3. 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.

I. Actuarial valuation

1. The latest report of the actuary Hymans as at 31 March 2016 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.

J. Ownership of Assets

1. The Fund has satisfactory title to all assets appearing in the Net Asset Statement, and there are no liens or encumbrances on the Fund's assets, nor has any asset been pledged as collateral. All assets to which the Fund has satisfactory title appear in the Net Asset Statement.
2. All agreements and options to buy back assets previously sold have been

properly recorded and adequately disclosed in the financial statements.

3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

K. Purchase and Sales Commitments

1. Losses arising from purchase and sales commitments have been properly recorded and adequately disclosed in the financial statements.
2. At the year end, the Fund had no unusual commitments or contractual obligations of any sort which were not in the ordinary course of business and which might have an adverse effect upon the Fund (e.g., contracts or purchase agreements above market price; repurchase or other agreements not in the ordinary course of business; material commitments for the purchase of property, plant and equipment; significant foreign exchange commitments; open balances on letters of credit; purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of the prevailing market prices; losses from fulfilment of, or inability to fulfil, sales commitments, etc.).

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the valuation of investments and the classification of assets under fair value levelling requirements 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 believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We confirm that the significant assumptions used in making the valuation of investments appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

N. Investment managers' control reports ISAE3402

1. The latest reports available do not cover the whole of the 2016.17 audit year. We confirm we are not aware of any issues with the respective fund managers that indicate a reduction in control procedures.

O. Advisory reports

1. We have not commissioned advisory reports which may affect the conduct of your work in relation to the Fund's financial statements and schedule of contributions/payment schedule.

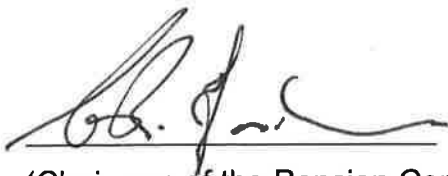
P. Comparative information

1. There have been changes to the fair value hierarchy of the valuation of financial instruments during 2016/17 with classification guidance in the Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).
2. The comparative amounts have been correctly restated to reflect the above matter and an appropriate note disclosure of this restatement has also been included in the financial statements.

Yours faithfully,



(Executive Director of Finance and Commercial Services)



(Chairman of the Pension Committee)

Audit Committee

Item No. 7

Report title:	Risk Management Report
Date of meeting:	23 January 2018
Responsible Chief Officer:	Executive Director, Finance and Commercial Services
Strategic impact One of the Audit Committee's roles is to consider the Council's risk management. Assurance on the effectiveness of risk management and the corporate risk register helps the Committee undertake some of its key responsibilities. Risk Management contributes to achieving corporate objectives, and is a key part of the performance management framework.	

Executive summary

This report provides the Committee with the corporate risk register as it stands in January 2018, along with an update on the Risk Management Strategy 2016-19, and other related matters, following the latest review conducted during December 2017.

Risk Management is reported in its own right but the reporting is aligned with, and complements, the performance and financial reporting to relevant Committees.

The corporate risk register was last reported to the Audit Committee (for risk management assurance) in September 2017, prior to being refreshed mid-December 2017 to show the latest developments. Officers have worked through the suggestions from that Committee. The latest significant changes since the last Risk Management report to Audit Committee are shown in **Appendix A** (the risk reconciliation report). The latest progress against mitigations for corporate risks since the last Audit Committee is shown at **Appendix B** (the risk register report).

Recommendations:

Committee Members are asked to consider:

- The changes to the corporate risk register (**Appendices A and B**), the progress with mitigating the risks; and
- The scrutiny options for managing corporate risks, (**Appendix C**);
- The movement of corporate risks since the last meeting (**Appendix D**);
- If any further action is required.

1. Proposal

- 1.1 The County Leadership Team has been consulted in the preparation of the corporate risk register.

2. Evidence

2.1. Direction

- 2.1.1. The Council's Medium Term Strategy and Financial Plan, adopted in February 2017, provides council-wide priorities, and these have been developed into some clear outcomes and measures by officers and members. With regards to the development of Norfolk Futures, which considers seven priorities that the Council is working towards achieving, the Council is leading on, and delivering, changes, and is becoming more strategic with the right attitudes and skills, able to change at pace while shedding cost. The Council is continuing to strengthen governance and performance management, which include effective risk management arrangements. The overall direction should move towards a reduction in corporate risk scores, wherever possible.

- 2.1.2. Since August 2015 when the responsibility for Strategic Risk Management passed over to the Chief Internal Auditor, a Medium Term Risk Management Strategy 2016-19 has been initiated, and is currently being developed by the Risk Management Officer.

2.2 Progress

- 2.2.1 Overall, corporate risk scores continue to be generally stable, with current score changes to two out of 18 risks. Since the last report to the Audit Committee, further work has been carried out developing risk mitigations and progress reports that are more specific, measurable, achievable, realistic and timed, and aligning the plans and progress reporting more closely with each other. The corporate risk register is joined up with the Council's 2017-18 Internal Audit Plan, with separate risk scrutiny applied by the Risk Management Officer to corporate risks where audits have not been identified. Progress against mitigations set can be better identified, moving towards a reduction in risk scores, wherever possible. The goal is to better reflect the significant corporate risks to Norfolk County Council, and the actions required to mitigate them, managed by the County Leadership Team, and owned by the Policy and Resources Committee.

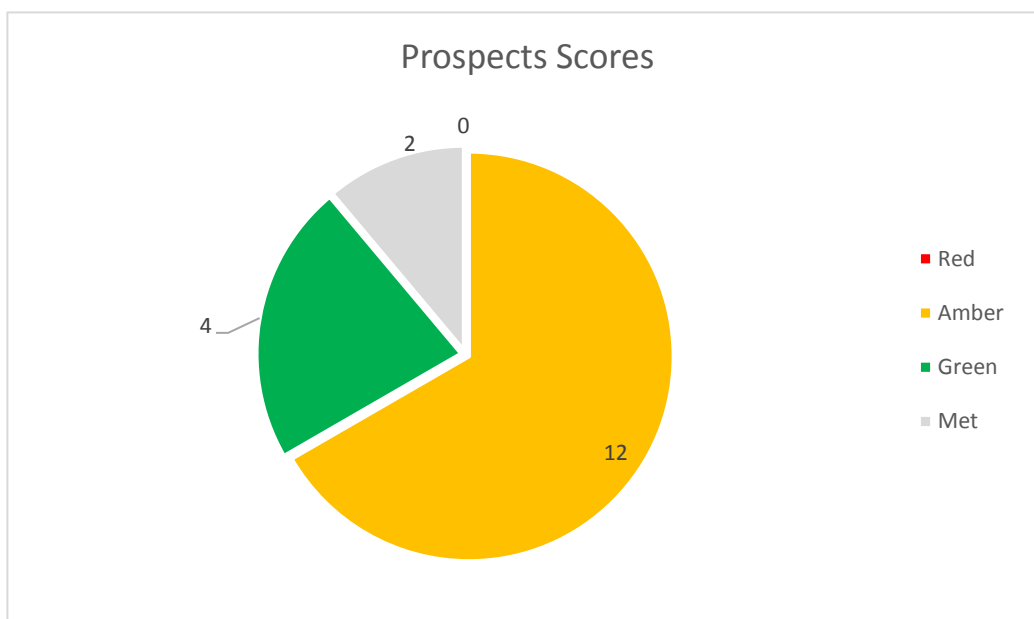
- 2.2.2. Work continues to take place to further develop risk management which continues to be reviewed and strengthened. At the September 2017 Audit Committee, the

proposed amended Risk Management Policy was signed off by the Committee, and was further ratified by the Policy and Resources Committee in October 2017. The revised Risk Management Policy and accompanying Risk Management Procedures (detailing how to approach and implement different specific areas of risk management within the Council) supersedes the *Well Managed Risk – Norfolk County Council Management of Risk Framework* document from May 2014.

The latest corporate risk register details 18 risks, presented at **Appendix B**. Corporate risks are where the occurrence of an event may have an impact on the County Council achieving its objectives or missing opportunities. Each risk has been allocated to the appropriate Executive Director along with a risk owner and reviewer who are able to influence the mitigation and regularly report on progress so that all reports contain the most current information relating to the risk. It is the nature of corporate risks that every Executive Director has a responsibility to contribute, support and progress the tasks to mitigate the risks, through the County Leadership Team and their Departmental Management Teams.

- 2.2.3. **Appendix B** contains a full description of each corporate risk with the tasks to mitigate it and the progress of that mitigation. There are three risk scores (original, current, and target), with each score expressed as a multiple of the impact and the likelihood of the event occurring.
- 2.2.4. There is one risk with a 'current' red rated risk score:
 - 1. **RM023 - Failure to understand and act upon changes to demography, funding, and government policy, with particular regard to Adults Services.**
- 2.2.5. Risk owners have considered whether the risks will meet the target score by the target date, shown as a prospects score. Twelve risks are assessed as "Amber – some concerns" that targets may not be met, and four are assessed as "Green - on schedule" to meet their target by the target date. There are currently no risks with a 'prospects' target red risk score (see note 2 for the definition):
- 2.2.6. A reconciliation to the September 2017 Audit Committee report is presented at **Appendix A**, detailing the significant changes to corporate risks since the September 2017 report.
- 2.2.7. As part of the overall development of the performance and risk management framework for the Council, a new approach to corporate and departmental risk management is being adopted. This new approach involves the development of corporate and departmental level risks that are: outcome focussed; linked to strategic priorities; business critical, identifying areas where failure places the organisation in jeopardy; linked to financial and performance metrics. It is dependent upon a shared understanding of the risk appetite of the council.
- 2.2.8. A key element of this work is cultural change and absolute clarity of roles, responsibilities and process. Specifically, clarity of what these risks are, who is responsible for them, what they are doing to actively manage the risks and what measures are in place to hold people to account.

- 2.2.9. To assist Members with considering whether the recommended actions identified in this report are appropriate, or whether another course of action is required, a new list of such possible actions, suggested prompts and challenges are presented for information and convenience in **Appendix C**.
- 2.2.10. Explanations for the various scores and terminology can be found in the new Risk Management Procedures.
- 2.2.11. For ease of reference the risks have been plotted on a heat map, in **Appendix D**, to illustrate each risk's relative position measured by likelihood and impact for their current risk score.
- 2.2.12. The criteria for Corporate and Departmental risks are described at Note 1. A description of target scores is shown at Note 2.
- 2.2.13. Fig. 1. Reflects the percentages of risks in each prospects category.



- 2.2.15 Overall, progress is considered satisfactory, and mitigations are proportionate to their ratings.

2.3 Development

As part of continuing development, four themes will be developed as business as usual for Risk Management. These are as follows;

- Strategy into Action / Accountability
- Commerciality / Business like
- Data Analytics / Evidence Based
- Collaboration / Influencing

The following strands are identified for taking forward;

Strategy into Action / Accountability

2.4.

- Formalising a strategy to deliver the new RM Policy
- Developing a more Enterprise Risk Management (ERM) approach for NCC
- Being a 'Centre of excellence' for Risk Management

Commerciality – Business Like

2.5.

- Developing a traded Risk Management Service to other public sector bodies
- A Service Level Agreement approach for the function.

Data Analytics – Evidence based

2.6.

- Develop Risk Management data measures and sources
- Quality Assure the risk register content

Influencing – Collaborative

2.7.

- Training plan for NCC managers on Risk Management
- Establish a role for NCC in the Eastern Region ALARM group

3. Risk Management reporting to Committees

- 3.1. Risk management is reported separately to financial and performance management at Committees, although there continue to be close links between financial, performance, and risk reporting. The Audit Committee Chairman has proposed that departmental level risks are reported, in detail, to Committees at least once per year. The remaining departmental reporting throughout the year continues to be by exception, including full information for risks with a current risk score of 12 and above where the prospects of meeting the target score by the target date is reported as amber or red. A risk report is presented to each Committee on a quarterly basis, at the same time as the Finance and Performance Reports.

4. Financial Implications

- 4.1 There are financial implications relating to risk RM017 - *Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£205m)*. In November 2017, the budget allocated to the delivery of the NDR was increased to £205m. Whilst the likelihood of not delivering the NDR to this revised budget has significantly reduced, there remain project risks of not delivering the NDR to budget. A proposed long term capital funding arrangement to replenish the funding to be drawn from cash reserves is to be presented to the January 2018 Policy and Resources Committee.

5. Issues, risks and innovation

- 5.1 A new departmental level risk relating to the delivery of the Third River Crossing project to time and budget is shortly to be presented to the January 2018 EDT Committee. The Third River Crossing project is still at an early stage of

development, with no current issues, with this risk being noted here for Members awareness.

5.2 Following the identification of an opportunity for revenue generation, a new Traded Risk Management service has been set up, with the objective of generating income for the Risk Management Function of Norfolk County Council from other local councils and local public facing organisations. The Risk Management Officer is available to consult on risk management, helping such organisations to develop their risk management functions in exchange for a half/full day consultation rate charged for each session delivered, and thereby generating revenue.

5.3 The Risk Management Strategy 2016-19 will include best practice. The intention is to promote the benchmarking of the function from 'Highly rated against peers' to 'world class'.

6. Background

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

Officer Contact

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

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

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

Officer name : Thomas Osborne **Tel No. :** 01603 222780

Email address : thomas.osborne@norfolk.gov.uk



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Note 1:

A Corporate Risk is one that:

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

- requires input or responsibility from more than one Executive Director for mitigating tasks; and
- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key corporate objectives and/or suffer a significant financial loss or reputational damage.

The criteria for a Departmental Risk Register is that:

- It requires strong management at a departmental level thus the Departmental Management Team should direct any action to be taken.
- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key departmental objectives and/or suffer a significant financial loss or reputational damage.

Note 2:

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

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

Appendix A – Risk Reconciliation Report

Significant* changes to the corporate risk register since the last Audit Committee Risk Management report was presented in September 2017.

New Risks

There is one new risk to report:

RM023 - Failure to understand and act upon changes to demography, funding, and government policy, with particular regard to Adults Services.

This risk replaces RM020a and b, whose mitigations were virtually identical. RM023 clarifies the scope of this risk and sets out the medium to long term risk of failing to understand and act upon changes to demography, funding, and government policy, with particular regard to Adults Services.

Closed Risks

There are two new closed risks to report:

RM020a - Failure to meet the long term needs of Norfolk citizens and

RM020b - Failure to meet the needs of Norfolk citizens

As per the above, these two risks have been replaced by RM023.

Current score changes

There are two score changes to report:

RM017 - Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£205m)

At the November 2017 Policy and Resources Committee, Members agreed to raise the budget of the NDR project to £205m. Following the November 2017 NDR Board meeting, where the new budget was discussed, it is proposed to reduce the current score from 25 (likelihood 5, impact 5) to 9 (likelihood 3, impact 3) to reflect the revised risk likelihood and impact.

RM014a - The amount spent on home to school transport at significant variance to predicted best estimates

The latest forecast against budget shows a projected overspend of £0.909m. The likelihood score has been amended to reflect this, from 4, to 5, moving the current score from 12 to 15. Norfolk County Council has now progressed to the next stage of the Hackney Community Transport independent travel training initiative, and ongoing

efficiencies will continue to be secured through the cycle of route reviews and re-procurement.

Target Score Changes

There is one target score change to report:

RM017 - Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£205m)

At the November 2017 Policy and Resources Committee, Members agreed to raise the budget of the NDR project to £205m. Following the November 2017 NDR Board meeting, where the new budget was discussed, it is proposed to reduce the target score from 25 (likelihood 5, impact 5) to 9 (likelihood 3, impact 3) to reflect the revised risk likelihood and impact.

Risk Title Changes

There is one risk title change to report:

RM003 - Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practice relating to information compliance and information security.

This risk title has been updated, adding in specific reference to information compliance and information security at the end of the risk title. This has focussed the scope of this risk.

* A significant change can be defined as any of the following;

- A new risk
- A closed risk
- A change to the risk score(s)
- A change to the risk title, description or mitigations (where significantly altered).

Risk Number	RM001					Date of update		05 December 2017		
Risk Name	Infrastructure is not delivered at the required rate to support existing needs and the planned growth of Norfolk									
Risk Owner	Tom McCabe					Date entered on risk register		01 July 2015		
Risk Description										
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 sustainable communities e.g. good public transport, walking and cycling routes, open space and green infrastructure. 2) Not meeting the funding profiles (e.g. Local Growth Fund) and losing the funding.										
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	3	9	3	2	6	Mar-18	Amber
Tasks to mitigate the risk										
1.1) County and District Council staff to compile evidence for Local Growth Fund 3 (LGF3) schemes by LEP deadline (End of 2017) to maximise the chance of success. Funding announced and the Local Enterprise Partnership will make a decision anticipated to be spring 2018.										
1.2) Engage with Highways England over recommendations for RIS2 programme over summer 2017.										
1.3) Actively promote scheme and lobby MP's to secure funding for the Great Yarmouth Third River Crossing. Continue to develop scheme pending Outline Business Case (OBC) decision to ensure current programme is maintained.										
1.4) Review Planning Obligations Standards annually to ensure we are seeking the maximum possible contributions from developers. Officer review December 2017. Member adoption March/April 2018.										
1.5) Submit business cases for Pooled Business Rates (PBR) funding by end of July 2017 and end of October 2017.										
2.1) Manage and oversee development and delivery of individual Local Growth Fund allocation schemes. Undertake consultation and feasibility work to determine priorities.										
2.2) Periodically review timescales for S106 funding to ensure it is spent before the end date and take action as required. Periodic reviews up until the end of March 2018 for transport contributions and an annual review process from April to July 2017 for library and education contributions.										
Progress update										

Progress update

1.1) 27 LEP pro formas have been completed for the highest priority LGF schemes.

1.2) Acle Straight and East Winch to Tilney dualling identified as key priorities for RIS2 by NCC and the A47 Alliance and these have been recommended to HE.

1.3) Government announced £98million funding for the Great Yarmouth Third River Crossing in the November 2017 autumn budget.

1.4) Review programmed for December 2017.

1.5) Pooled Business Rates bid were successful for 24 projects including the following key transport projects

King's Lynn Transport

Norwich Western Link

Great Yarmouth Transportation Strategy

Dereham Market Town Study

Long Stratton Bypass

2.1) Briefs prepared for 7 Attleborough transport schemes, 6 Great Yarmouth Sustainable Transport schemes and one Great Yarmouth congestion scheme. Two Great Yarmouth transport schemes currently under construction (Fullers Hill Roundabout and the Railway Station/The Conge).

2.2) Longwater S106 was reviewed and it was confirmed that these contributions are all still valid to contribute to the Dereham Road scheme.

Risk Number		RM002		Date of update		10 January 2018				
Risk Name		The potential risk of failure to manage significant reductions in local and national income streams								
Risk Owner		Simon George		Date entered on risk register		01 July 2015				
Risk Description										
This may arise from global or local economic circumstances (i.e. Brexit), government policy on public sector budgets and funding. As a result there is a risk that the Medium Term Financial Strategy savings required for 2017/18- 2019/20 are not delivered because of uncertainty as to the scale of savings resulting in significant budget overspends, unsustainable drawing on reserves, and severe emergency savings measures needing to be taken. The financial implications are set out in the Council's Budget Book, available on the Council's website.										
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	4	12	3	4	12	Feb-18	Amber
Tasks to mitigate the risk										
Medium Term Financial Strategy and robust budget setting within available resources. No surprises through effective budget management for both revenue and capital. Budget owners accountable for managing within set resources. Determine and prioritise commissioning outcomes against available resources and delivery of value for money. Regular and robust monitoring and tracking of in-year budget savings by CLT and members. Regular finance monitoring reports to Committees. Close monitoring of central government grant terms and conditions to ensure that these are met to receive grants. Plans to be adjusted accordingly once the most up to date data has been received.										
Overall risk treatment: reduce										
Progress update										
Government's 2017-18 local government finance settlement reflected in the 2017/18 budget and Medium Term Financial Strategy. DCLG confirmed on 16th November 2016 that it had accepted the Council's Efficiency Plan which results in a multi year settlement and provides more certainty over the level of future Government funding. The risk impact score has been lowered from 5 to 4 to reflect this. Policy and Resources Committee on 17 July 2017 considered the latest position and agreed a timetable to consider the 2018/19 budget and future Medium Term Financial Strategy. Committees considered budget proposals at their October meetings and the public consultation started on 6 November 2017 and closed on 2 January 2018. The Government has announced the provisional 2018/19 Local Government Financial Settlement.										

Risk Number	RM003					Date of update		12 December 2017		
Risk Name	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practice relating to information compliance and information security.									
Risk Owner	Simon George					Date entered on risk register		30 September 2011		
Risk Description										
There is a risk of failing to comply with statutory and/(or) national/local codes of practices in relation to Information Compliance. This could lead to significant reputational and financial risk for NCC.										
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	May-18	Amber
Tasks to mitigate the risk										
1) Implementation of SIRO (Senior Information Risk Owner) , CIO (Chief Information Officer), Corporate Information Management Team encompassing Information Management, Information Governance, Records Management, policies confirming responsibilities.										
2) Ensure that information and data held in systems (electronic and paper) is accurate, up to date, comprehensive, secure against security breaches, and fit for purpose to enable managers to make confident and informed decisions.										
3) Ensure that all staff and managers are provided with training, skills, systems and tools to enable them to meet the statutory standards for information management.										
4) SIRO to receive assurance of compliance with statutory and/or national/local codes of practice in relation to information compliance from Information Asset Owners when reporting the Annual Governance Statement.										
5) NCC is PSN accredited										
6) NCC is NHS Information Governance Toolkit compliant to Level 2										
7) Embedding and enhancing Cyber Security techniques and Protocols through recommendations from the recent Cyber Security Audit - i.e data loss, ransomware and system outages etc.										
GDPR work plan has been to CLT and the ICG now owns the plan.										
The current impact score is at 4 to take into account the increase in corporate tools to manage and ensure compliance - Information Asset Register, Policies and Procedures, Training and Awareness Strategy and Business buy-in.										
The target date has been changed to take into account recommendations to be undertaken as a result of the ICO Audit.										
The new General Data Protection Regulations are to be implemented by May 2018. A GDPR paper and work plan agreed by the ICG will go to CLT for sign off, with further work progressing. The work plan will include a corporate plan that will add further mitigation in reducing this risk.										
Progress update										

Progress update

The IM Maturity Readiness plan has objectives and outcomes around the key information management tasks identified within the risk. The plan is initially focussed on the first three information principles as the foundation layers, Information is a valued asset, information is managed and information is fit for purpose.

Data cleansing has started in relation to Children's and Adult's social care information pre-procurement. The council now has a corporate Information Asset Register in line with industry best practice, which all services have added their key information assets and these have identified Information Asset Owners (IAOs) associated with them. The SIRO will receive quarterly exception reports from the IAO's and the IAO's will on a regular basis update these assets and any risks associated with them. The governance of the monitoring of the register and the assets themselves has been agreed with the SIRO and identified to the Caldicott Guardians.

Norfolk County Council is NHS IG toolkit accredited for 2017/18, following re-accreditation in March 2017.

Six new Corporate Information Management policies signed off by Business L

eads, the Caldicott Guardians and the SIRO, have been implemented within the council along with 30+ Corporate procedures signed off by business leads. In tandem, a communications strategy has been implemented along with a robust Training and Awareness strategy including action and implementation plans.

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

The Information Commissioner's Office (ICO) audited the Council on the 11th to the 13th October 2016 and the Council has received the final report. The ICO found that there is a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance. The Executive Summary of this audit has been published.

The Maturity Readiness Plan is being monitored by the Business Intelligence/Information Management Programme Board on a monthly basis with highlight reports. The scrutiny will also be provided by regular updates to CLT.

The Annual Governance Statement is being produced with assurance of compliance to be incorporated.

GDPR programme of work is underway reporting to the ICG and escalation to IMT steering Group/CLT.

Risk Number	RM004					Date of update	22 December 2017				
Risk Name	The potential risk of failure to deliver effective and robust contract management for commissioned services.										
Risk Owner	Simon George					Date entered on risk register	01 July 2015				
Risk Description											
Ineffective contract management leads to wasted expenditure, poor quality, unanticipated supplier default or contractual or legal disputes The council spends some £600m on contracted goods and services each year.											
Original			Current			Tolerance Target					
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date	
3	4	12	3	4	12	2	3	6	May-18	Amber	
Tasks to mitigate the risk											
1) Agree a standard corporate approach to the management of significant contracts.											
2) Conduct a gap analysis, initially focused on the top fifty contracts.											
3) Put in place an action plan based on the gap analysis											
4) The March 2017 Policy & Resources report should update Members on the procurement procedure.											
5) Procurement pipeline to go to all Committees with each Committee to have their own procurement pipeline summary.											
6) Appoint a Senior Commissioning Officer for Norse services.											
Overall risk treatment: reduce											
Progress update											
1) CLT agreed the standard approach on 30 June 2016.											
2) An initial pilot was undertaken on ten contracts to assess the useability of the contract management standards and associated templates. This was used to refine the templates.											
3) A gap analysis of the top fifty contracts and associated categories has been completed, identifying themes and trends in contract management performance. An action plan to address those issues is being developed and will be completed by the end of May 2018.											
4) The March 2017 Policy & Resources report updated Members on procurement procedure.											
5) The procurement pipeline goes to all Committees and is being tailored to each Committee to show their procurement. It is also being taken up by some departmental management teams.											
6) A Senior Commissioning Officer has been appointed for Norse services.											

Risk Number	RM006					Date of update		22 December 2017		
Risk Name	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2018/19 - 2021.									
Risk Owner	Wendy Thomson					Date entered on risk register		01 July 2015		
Risk Description										
The failure in strategic planning meaning the Council lacks clear direction for resource use and either over-spends, requiring the need for reactive savings during the life of the plan, or spends limited resources unwisely, to the detriment of local communities.										
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	2	5	10	2	5	10	Apr-18	Met
Tasks to mitigate the risk										
1) Clear robust planning framework in place which sets the overall vision and priority outcomes. A council-wide strategy which seeks to shift focus to early help and prevention, and to managing demand 2) Strategic service and financial planning process which translates the vision and priorities into achievable, measurable objectives, with clear targets. 3) A robust annual process to provide evidence for Members to make decisions about spending priorities. 4. Regular and robust in-year financial monitoring to track delivery of savings and manage in-year pressures 5.) Sound engagement and consultation with stakeholders and the public. 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.										
Overall risk treatment: reduce										
Progress update										

Progress update

- 1) Full Council agreed a three-year medium term financial and service strategy, including the budget for 2017/18, at its meeting on February 20th 2017. In making their decisions, Councillors had the benefit of a cycle of robust committee discussions about priorities and pressures on services. The new Strategy Director was appointed in April 2017. The new service will focus on building effective intelligence and analytics alongside the Strategy and Delivery unit to develop the County Council plan and monitor the delivery of the Corporate priorities.
- 2) In agreeing the budget, a detailed review of the deliverability of previously agreed savings was undertaken. As a result, a number of savings were reversed or delayed to ensure sustainability going forward.
- 3) The County Plan continues to provide the strategic context for the Council, providing direction and guiding strategic and resource choices.
- 4) Regular performance reporting to committees is focusing attention on poorly performing areas and highlighting areas of good performance. Dashboards are used, providing a summary of key performance indicators (KPIs) which focus on key areas agreed by Members and Chief Officers, together with the red, amber, green rating (RAG) ratings and direction of travel (DoT).
- 5) Public consultation took place on specific proposals for savings in 2017/18 and the feedback was considered in detail by councillors.
- 6) Re-shaping the corporate centre of the council will strengthen corporate oversight, horizon scanning, and strategic planning to marshal evidence and intelligence to support prioritisation and decision making.
- 7) An early review of the County Council plan is taking place in line with the direction of the new administration with the aim of having a full plan and performance monitoring in place by April 2018.

Risk Number	RM007					Date of update		12 December 2017		
Risk Name	Potential risk of organisational failure due to data quality issues.									
Risk Owner	Simon George					Date entered on risk register		01 July 2015		
Risk Description										
Failure to manage the data quality will prevent us from ensuring that data relating to key Council priorities is robust and valid. This places the Council at risk of making decisions using data that is not always as robust as it should be. This may lead to poor or ineffective commissioning, flawed decision making and increased vulnerability of clients, service users and staff.										
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	4	8	Dec-18	Amber
Tasks to mitigate the risk										
1) Implementation of the Information Management Strategy, Information Governance Framework, Data Protection, Information Sharing, Freedom of Information, Records Management, Managing Information Risk, and Information Security. 2) Information Compliance Group (ICG) has the remit to ensure the overarching Information Governance Framework is embedded within business services and NCC and elements of the IM Maturity Readiness Plan. 3) Ensuring that all staff and managers are provided with training, skills, systems and tools to enable them to meet the statutory/NCC standards for information management. 4) Ensuring the Mandated E-Learning Data Protection 3 year refresher data - Information sent to CLT and CLG on a monthly basis for review and action 5) The implementation of a corporate Records Management solution 6) The implementation of a corporate Identity and Access Management solution										
Overall risk treatment: reduce										
Progress update										
The IM Maturity Readiness plan has objectives and outcomes around the key information management tasks identified within the risk. The plan is initially focussed on the first three information principles as the foundation layers, Information is a valued asset, information is managed and information is fit for purpose. April 2017 compliance rate for 3 year refresher is 97.6% - 2.6% higher than the target for the vital sign of 95%. A pilot training programme has been completed concerning increasing data accuracy skills. The pilot was for 32 staff accross all services. The Council now has a corporate Information Asset Register in line with industry best practice, which all services have added their key information assets and these have identified Information Asset Owners (IAOs) associated with them. The SIRO will receive quarterly exception reports from the IAO's and the IAO's will regularly update their assets and any risks associated with them. The governance of the monitoring of th										

Progress update

e register and the assets themselves has been agreed with the SIRO and identified to the Caldicott Guardians. The Information Commissioner's Office (ICO) audited the Council on the 11th to the 13th October 2016 and the Council has received the final report. The ICO found that there is a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance. The Executive Summary of this audit has been published.

The Maturity Readiness Plan is being monitored by the BI/IM Programme Board on a monthly basis with highlight reports. The scrutiny will also be provided by regular updates to CLT.

There is a data quality audit planned for Q1 of 2017/18, particularly focussing on information asset owners.

A Data Quality Working Group has been established for the Liquid Logic project and has been meeting on a regular basis to ensure the quality of the information migrated to the new system is in a robust fit for purpose state as per the IM Strategy.

Risk Number	RM010		Date of update		12 December 2017					
Risk Name	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.									
Risk Owner	Simon George		Date entered on risk register		02 September 2015					
Risk Description										
Loss of core / key ICT systems, communications or utilities for a significant period - as a result of loss of power, physical failure, fire or flood, supplier failure or cyber attack - would result in a failure to deliver IT based services leading to disruption to critical service delivery, a loss of reputation, and additional costs. Overall risk treatment: reduce.										
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	3	3	Mar-18	Amber
Tasks to mitigate the risk										
1) Full power down completed periodically.										
2) Voice and Data reprocurement.										
3) Commision Independant Data centre and power audit										
4) Reprocure storage with suitable resilience and Disaster Recovery (DR)										
5) Reprocure Microsoft Server Infrastructure with suitable resilience and DR										
6) Replace ageing Local Area Network (LAN) equipment										
7) Identify a suitable DR site to replace Carrow House										
8) Ensure access to services if county hall lost by reconfiguring Core Infrastructure Services (DHCP, DNS, Active directory)										
9) Implement Cloud-based business systems with resilient links for key areas										
10) Replace voice services (contact center / desk phones) with resilient cloud based service including Relocate resilient Network Routing Server to allow call routing to continue for other sites if County Hall failed										
Reconfigure sites to point to an active Survivable Media Gateway (one of the 4 ISDN sites) so if Avaya fails a reduced fall back service is available										
11) Review and Implement suitable arrangments to protect against possible cyber / ransomware attacks including										
• Carry out recommendations from Cyber Security Audit										
• Carry out recommendations from Phishing Simulation exercise, and repeat										
• Retire Windows 2003										
• Implement new client service security for Windows 10 build										
• Independent IT Health Check for PSN accreditation (Oct 2017)										
Overall risk treatment: reduce										
Progress update										

Progress update

Progress completed to date

- 1) Full power down completed and procedures updated from lessons learned.
 - 2) Voice and Data reprocurement complete and implemented significantly increasing resilience for the Wide Area Network and internet.
 - 3) Commissioned Independant Data centre and power audit, complete August 2017, recommended separate diverse power supply and new data centre's, costing additional power and plan (subject to approval) new data centre's as part of basement / lower ground refurbishment.
 - 4) New storage procured, implemented in July 2017, providing additional resilience and necessary DR capability once a full DR site is implemented
 - 9) Cloud-based highways management system has been implemented; Liquid Logic replacement is remotely hosted and due live by April 2018 with resilient network connections ordered; review of Oracle hosting has commenced.
 - 11) To mitigate against a cyber attack Network segregation has been improved over the Wide Area Network (WAN), ensuring all partners that use the NCC network are fully segregated. Denial of Service (DDOS) and Intrusion Prevention system (IPS) implemented on our internet gateways and robust patching and host based protection implemented on all NCC devices that attach to the network (This is a pre-requisite of PSN accreditation, and is an on-going task). Simulated Phising attack has been run and results are being analysed.
- Actions to be completed
- 5) New Microsoft Server Infrastructure procured September 2017, implementation due by January 2018 providing additional resilience and necessary DR capability once full DR site is implemented
 - 6) Replacement New Local Area Network (LAN) to be procured in February 2018 to reduce risk of network failure.
 - 7) New potential DR site identified, work has started to cost and seek relevant permission to implement and once complete, the server, network and storage DR equipment will be moved into the identified site providing full failover facilities in the event of loss of county hall. Estimated due to be complete by Summer 2018.
 - 8) Core Infrastructure Services (DHCP, DNS, Active directory) will be reviewed and reconfigured to enable access to systems and services in the event of the loss of County Hall and/or the DR site January 2018, implementation Summer 2018
 - 10) Replacement of contact centre system to a cloud based service due to begin migration to the cloud service Q4 2017, with full completion by Q1 2018 and replacement of the desktop telephony with Skype for business initial pilot late 2017.

Risk Number	RM011					Date of update		20 December 2017		
Risk Name	The potential risk of failure to implement and adhere to an effective and robust performance management framework.									
Risk Owner	Wendy Thomson					Date entered on risk register		02 September 2015		
Risk Description										
The failure of leadership to adhere to robust corporate performance practice / guidance, resulting in organisational / service performance issues not being identified and addressed. This could have a detrimental impact on future improvement plans and overall performance and reputation of the Council.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	12	3	4	12	1	3	3	Mar-18	Amber
Tasks to mitigate the risk										
A review of the tasks to mitigate and to reduce this risk was undertaken in April 2016 and the following actions for 2016/17 were identified:- 1) CLT/CLG implementing a new performance management framework to better align priorities, resources and managerial accountability for delivering results. This includes better linking of the new set of performance indicators (vital signs & organisational health measures) with senior manager individual performance appraisal ratings. To continue to implement a set of common leadership objectives (for the third year). 2) For CLT to regularly review the quality and robustness of our people performance management framework and ensure consistent adherence across NCC. To undertake a review and audit in August/September 17 against agreed criteria. To track appraisal completions for end of year appraisals - to ensure year on year improvements at the end of year appraisals - 2016 89% completion rates. 3) CLT to agree focus for further performance management skills development - following assessment of gaps. Particular focus agreed to be on Commerciality and Performance Coaching skills. 4) Failure to attract, recruit and retain key skills, specifically social workers. 5) Failure to create an engaged workforce who are prepared for changing organisation 6) Failure to manage our budgeted establishment data to support workforce planning, recruitment and management of workforce costs. Overall risk treatment: reduce.										
Progress update										

Progress update

Whilst progress has been made on implementing key actions the risk scores are assessed as remaining the same. It is essential that this work continues with managers to achieve a major shift in the day to day performance routines of all levels of managers. Set out below is progress in the last 12 months:

1) Performance framework in place and communication from MD delivered to confirm expectations for the end of year appraisals and common objectives. Vital signs reporting is in place with reviews at CLT and P&R.

2) It has been agreed that a review of performance appraisals will take place later in the year. The scope is being developed with stakeholders and will be reviewed with a view to sign off by the new Head of HR in September. Tracking is in place on performance appraisals for 2017.

3) An external managerial Assessment and Development of our Leadership population against four priority leadership criteria was completed between November and December. Managers were provided with individual feedback on their performance. CLT has considered the collective organisational feedback which has informed the directed development areas for this group. On-line resources will be launched in the Autumn and procurement is underway to source providers to support identified priority areas.

Risk Number	RM013					Date of update		04 December 2017		
Risk Name	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions.									
Risk Owner	Wendy Thomson					Date entered on risk register		02 September 2015		
Risk Description										
The failure of governance leading to controlled entities: Non Compliance with relevant laws (Companies Act or other) Incurring Significant Losses or losing asset value Taking reputational damage from service failures Being mis-aligned with the goals of the Council The financial implications are described in the Council's Annual Statement of Accounts 2015-16, from page 13, covering Group Accounts available on the Council's website at http://bit.ly/2f0MLP3 .										
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	Apr-18	Met
Tasks to mitigate the risk										
<p>1) All controlled entities and subsidiary companies have a system of governance which is the responsibility of their Board of Directors.</p> <p>The Council needs to ensure that it has given clear direction of it's policy, ambitions and expectations of the controlled entities.</p> <p>The NORSE Group objectives are for Business Growth and Diversification of business to spread risks. Risks need to be recorded on the Group's risk register.</p> <p>2) The NORSE board includes a Council Member and is currently chaired by the Executive Director of Communities and Environmental Services of the Council. There is a shareholder committee comprised of six Members. The shareholder committee should meet quarterly and monitor the performance of NORSE. A member of the shareholder board, the shareholder representative, should also attend the NORSE board.</p> <p>3) The Council holds control of the Group of Companies by way of its shareholding, restrictions in the NORSE articles of association and the voting rights of the Directors. The mission, vision and value statements of the individual NORSE companies should be reviewed regularly and included in the annual business plan approved by the Board. NORSE should have its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines the controls that the Council exercises over NORSE and the actions which require prior approval of the Council.</p> <p>4) To ensure that governance procedures are being discharged appropriately to Independence Matters.</p> <p>5) Approve the Outline Business Case for Repton Property Developments Ltd.</p> <p>6) Provide regular updates to the company Board and to the Business and Property Committee.</p> <p>Risk Treatment: Accept.</p>										
Progress update										

Progress update

- 1) There are regular Board meetings, share holder meetings and reporting as required. For NORSE, risks are recorded on the NORSE group risk register. For Norfolk Energy Futures, Policy and Resources Committee agreed to liquidate Norfolk Energy Futures on 3rd July 2017, with the outcomes of this process to be reported to Policy and Resources Committee through financial monitoring. Work to liquidate the company is currently progressing.
- 2) The Norse Group follows the guidance issued by the Institute of Directors for Unlisted Companies where appropriate for a wholly owned local authority company. The shareholder committee meets quarterly and monitors the performance of Norse. A member of the shareholder board, the shareholder representative, also attends the Norse board.
- 3) The Council has reviewed its framework of controls to ensure it is meeting its Teckal requirements in terms of governance and control, and a series of actions has been agreed by the Policy and Resources Committee. The Executive Director of Finance and Commercial Services is responsible for reviewing the ongoing viability of wholly owned entities and regularly reporting the performance of their activities, with a view to ensuring that the County Council's interests are being protected.
The Norse "Consents" backlog has been cleared via reporting to the P&R Committee.
All County Council subsidiary limited company Directors have been approved by full council.
New Chair of Norse and new Senior Commissioner appointed.
Updated report on Norse governance went to P&R in November 2016.
- 4) The Executive Director of Finance and Commercial Services directs external governance. An external company is undertaking a review of Norse Group's financial performance, discharging the Executive Director for Finance and Commercial Services' responsibility as per the Constitution.
- 5) The Outline Business Case for Repton Property Developments Ltd has been approved.
- 6) Regular updates are being provided.

Risk Number	RM014a		Date of update		12 December 2017					
Risk Name	The amount spent on home to school transport at significant variance to predicted best estimates									
Risk Owner	Chris Snudden		Date entered on risk register		04 November 2015					
Risk Description										
There is a risk that the amount spent on home to school transport is at significant variance (overspend) to predicted best estimates. Cause: Home to school transport being a demand led service. Event: The amount spent on home to school transport is at significant variance with the predicted best estimates. Effect: Significant overspend on home to school transport than has been estimated for. Rising transport costs, the nature of the demand-led service (particularly for students with special needs) and the complexities involved in sustaining reductions in the need for transport or the distance travelled could result in a continued overspend on the home to school transport budgets and costs not being reduced by the required amount.										
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	3	15	2	2	4	Mar-18	Amber
Tasks to mitigate the risk										
Continue to enforce education transport policy, and ensure joint working between SEN commissioners, placements and corporate transport teams to ensure transport costs are reduced where possible. Continually review the transport networks, to look for integration and efficiency opportunities. Work with Norse to reduce transport costs and ensure the fleet is used efficiently and effectively. Look for further, more innovative, ways to plan, procure and integrate transport.										
Overall risk treatment: reduce.										
Progress update										
Latest forecast for the budget has signalled an overspend of £0.909m due to increased specialist placement transport costs. This mirrors higher spend to budget from previous financial years within SEN transport. Therefore, our ongoing plans to mitigate these costs continue : Norfolk County Council have now progressed to the next stage of the Hackney Community Transport independent travel training initiative; following on from the formal contract sign-up the provider has now recruited a local manager and induction is underway with key NCC services and partners (Headteachers of Special Schools and parent/carer organisation). The plan over the next 5 years, is for a cohort of 100 pupils per year to be targeted for this intensive work via Hackney Community Transport (HCT). Ongoing efficiencies will continue to be secured though the cycle of route reviews and re-procurement. New special school places are now coming on stream (3 schools being completed in the current academic year) and we continue to target placements that will reduce travel time and travel costs in addition to meeting pupil needs.										

Risk Number		RM014b		Date of update		11 December 2017				
Risk Name		The savings to be made on Adult Social Services transport are not achieved.								
Risk Owner		James Bullion		Date entered on risk register		04 November 2015				
Risk Description										
The risk that the budgeted savings of £1.7m to be delivered by 31 March 2020 will not be achieved.										
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	3	12	2	3	6	Mar-20	Green
Tasks to mitigate the risk										
1) Whilst we have managed to achieve £0.487m of the budgeted savings by the end of 2016-17, as we were unable to achieve the savings in full, the savings have been reprofiled to future years (2017/18 and 2019/20). Following a further review a recommendation was then taken to Adult Social Care Committee in September 2017 to reduce the transport savings.										
2) A review of transport is also taking place.										
3) Transport Guidance has been updated in line with the revised transport policy										
4) Refurbishment of a site in Thetford to provide day services and respite care to prevent people from having to travel long distances.										
5) Under the Younger Adults of the Promoting Independence Workstream, we're developing a joint approach to disability and transition from Children's to Adults.										
6) Exploring the use of an application to help with monitoring of the cost of transport. This application is currently being used by Children with Special Educational Needs.										
Progress update										
1)Adult Social Care Committee agreed on 4 September 2017 to amend the transport savings to £0.700m in 2018-19 (from £3m) and £1m in 2019-20 (from £0.800m) and that the difference of £2.1m in savings will be made through the purchase of care budget as a result of changes to patterns of care.										
2) Travel Independence Training Across the Nation (Titan) training is being rolled out. Have recruited to ASS specific posts to enable more people to use public transport.										
3) The revised Transport Guidance and Policy was agreed by ASC Committee on 6 March 2017 and shared with staff. This is being implemented for new service users now and for existing people at the point of review. This now links with the work on assessments and reviews as part of the Promoting Independence Programme. It appears that this is being embedded in working practices, given the forecast underspend on transport.										
4) The department has been advised that there is potentially scope for the development of the Elm Road site on a bigger scale. In light of this, the review of Learning Difficulties day services and the potential new opportunities this could lead to, the department is reviewing the Elm Road project.										
5) This is currently being developed.We have carried out the fieldwork to understand the current transition process from Children's services to Adult services. We have taken a joint approach and carried out 50 interviews with senior stakeholders from children's services, adult services and health, as well as meeting with transition workers. t										

Progress update

eam managers and other key staff from children with disability teams, looked after care teams, leaving Care teams, Adult LD, Adult mental health and adult Physical disability team. We have also engaged with NSFT Youth Service for their views, and will be incorporating the views of young people who have been through transition. We also made a visit to the Transition service used by Essex Social Services team, and learning from this will be incorporated into the overall review. Transition review interviews will be completed by early October and then an overview of the findings will be drawn up to be shared as part of a Transition planning workshop in early November. The aim of this workshop is to look at the key findings and plan options going forward. The output of this phase will be to draw up a current state report and to identify options to explore what a new service might look like. The plan is to complete this report by the end of December.

6) IMT have developed the first version of a Transport application for use by Adult Social Services and Travel and Transport where you can see for each day centre where people are travelling from, whether they are travelling alone/with others and which day services other people charged to that budget code are going to. It is based on an application IMT developed for Children with Special Education Needs. The application looks useful, and provides a clearer picture of transport provision than analysing pages of reports. The department is checking the viewer application and it will be trialled with Business Support initially.

Risk Number		RM016		Date of update		05 December 2017				
Risk Name		Failure to adequately embed Business Continuity into the organisation.								
Risk Owner		Tom McCabe		Date entered on risk register		10 December 2015				
Risk Description										
To ensure disruption is minimised and ensure that we are able to maintain services and respond appropriately to a either a Major or Moderate disruption both within and out of core office hours (N.B. this risk will be scored differently for different departments due to different levels of preparedness).										
Original			Current			Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	10	2	5	10	2	3	6	Oct-18	Green
Tasks to mitigate the risk					Progress update					
1) All corporately agreed critical activities must have comprehensive Business Continuity plans. Plans to be agreed at Senior Management meetings.					1) 95% of critical services have plans which are up-to-date. The Resilience Team audits all plans as they are received and provides feedback to service managers where changes are required. The annual audit completed on 10% of plans has been completed and feedback given to relevant managers.					
2) That departments are represented at Resilience Management Board meetings, and fully engaged in delivering actions within the departments they represent.					2) Most departments are represented at meetings regularly. Further work is required on Supplier Continuity. Resilience and Procurement Managers have met to agree a plan of action to strengthen supplier continuity. This involves a checklist of BC standards to which key suppliers are required to adhere; prioritisation of key large or critical suppliers requiring BC plans; and incorporation of BC requirements into contract manager training. A departmental BC assurance document has now been completed for every department, feedback has been given to all departments, and departments are working on actions as a result. This will be completed every 6 months for departments.					

Tasks to mitigate the risk	Progress update
<p>3) To develop the Professional Development Centre (PDC) Norwich, which was agreed as a key corporate Work Area Recovery (WAR) site by CLT. First stage is a planned exercise to take place with the Customer Service Centre, second step is to complete an exercise with the Resilience representatives at the PDC. Also, an exercise with the Resilience Management Board and CLT.</p>	<p>3) Work Area Recovery test - stage 1 was completed 27.01.17. This was successful. The exercise tested several elements of the CSC Business Continuity plan, and involved Adult's and Children's services departments. This exercise tested "loss of access to County Hall" not "loss of infrastructure at County Hall". IMT have confirmed work is being completed which will mean the PDC would be operational in the event of loss of County Hall. An additional test is being booked for February 2018, and in September 2018. IMT have agreed that a full failover test should be completed at the Disaster Recovery site which would mean the PDC would be operational in the event of a failure of ICT at County Hall.</p> <p>The Resilience Team has collated feedback from the incident involving loss of power to the Data Centre and a debrief report has been presented to CLT on the "loss of ICT" due to this incident. Actions are being completed and an update recently provided to CLT.</p> <p>The target date for this risk has been amended to 31/10/18 to take into account resource requirements within ICT and the timescales for the infrastructure projects in IMT which will improve resilience of ICT and mean ICT continuity in the event of failure of ICT at CH.</p> <p>ICT have drafted a report showing levels of resilience and where there are gaps. The Resilience Team have</p>
<p>4) Complete a Business Impact Analysis every two years and review risks which could affect critical activities. Ensure ICT have incorporated the results of the BIA and the outcome of this work (ICT Continuity) is communicated to the business via the Resilience representatives. Robust ICT Continuity arrangements are</p>	<p>4) BIA is in progress with all departments completing these and sending returns to the Resilience team to review. 98% of BIAs have been completed, returned and audited. A report is being drafted to go to each departmental SMT for them to agree the critical activities for their department. Critical activities will then go to CLT, and risks to these will be considered in collaboration with the Corporate Risk Officer.</p>
<p>5) Embedding Business Continuity - Ensure there is a programme of work to embed BC into the organisation. This includes awareness raising initiatives and training for support staff and resilience representatives. Training also includes the BC e-learning package which needs to be reviewed, relaunched, and the uptake monitored. Departments must ensure staff attend training and complete exercises/tests.</p>	<p>5) New training courses were launched last year in both Emergency Planning and Business Continuity and have been well received. A link to these courses will be added to Learning hub.</p> <p>A survey was completed across the organisation to benchmark levels of awareness and understanding. This received a response of 599. An organisational report has been written to summarise the results and this was agreed at the Resilience Management Board on the 20.07.17 a report has also been completed for every department summarising their responses and actions have been agreed with departments as a result. This survey will be completed once a year.</p> <p>The online BC e-learning is available. We are reviewing what alternatives we could use but further work on this has been placed on hold due to other priorities.</p> <p>Training and exercising is being completed across the organisation but a full programme of training and exercising needs to be developed.</p>

Tasks to mitigate the risk	Progress update
6) Implement the BC Framework	6) Every quarter the Resilience Management Board receive an update of where NCC are in implementing the BC Framework, those actions that are red are reviewed as a priority. This has been developed this further by the departmental positions using the assurance framework and those sections marked as red/amber (where applicable) should be linked to departmental risk registers. Meetings have taken place with all departments.
7) Gain assurance that ICT could be recovered in line with timescales detailed within the BIAs. Overall Risk Treatment: Reduce	BIA results have been reviewed by ICT, however this work has been placed on hold by ICT awaiting infrastructure project development. Commitment has been gained from ICT on reviewing the BIA results from September 2017. What the Business has documented within the BIAs should be used to help shape IMT infrastructure projects. Following the organisational BC survey there was a large number of responses referring to ICT. A meeting took place with the Head of IMT to agree how this feedback can be followed up and built upon, papers have been circulated to the Head of IMT which include agreed actions. There are several new technologies being introduced such as the new telephony system, whilst they offer numerous benefits, Resilience have requested a briefing on any additional risks the new technologies may bring. For example for outlying buildings without generators, a loss of power may cause a complete loss of communications.

Risk Number	RM017					Date of update		05 December 2017		
Risk Name	Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£205m)									
Risk Owner	Tom McCabe					Date entered on risk register		26 November 2015		
Risk Description										
There is a risk that the NDR will not be constructed and delivered within the revised budget. Cause: environmental and/or contractor factors affecting construction progress. Event: The NDR is completed at a cost greater than the agreed revised budget. Effect: Failure to construct and deliver the NDR within the revised budget would result in the further shortfall having to be met from other budgets. This will impact on other NCC programmes.										
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	3	9	Mar-18	Amber
Tasks to mitigate the risk										
The total project budget agreed by Full Council (November 2015) was £179.5m. Since then, in November 2016, a risk of £6.8m increased budget was highlighted. In June 2017, the risk of an increased budget was highlighted. A further update to P&R Committee on 27 November 2017 received approval to revise the budget to £205m. This new assessment reflects the corporate assessment criteria . Mitigation measures have been updated to reflect the revised position.										
1) Project Board and associated governance to continue to monitor cost and programme at monthly reporting meeting with a focus on delivery below revised budget.										
2) NCC project team maintain appropriate commercial resource to provide ongoing scrutiny throughout the remaining works by Balfour Beatty. This includes completing an independent audit of Balfour Beatty's project costs, taking account of the revised contract provisions.										
3) Programme has been developed that shows works to be completed in phases to specified dates with penalties applied for late delivery.										
4) Project controls and client team to ensure systems in place to deliver the remainder of the project. Client team to ensure any contractual issues are robustly handled as works are completed and final account process closed.										
5) All opportunities to be explored to reduce risk, costs and programme duration with appropriate management meetings (at appropriate levels) to be held on a weekly basis.										
6) Provide further assurance of budget management governance through appropriate audits and further specialist advice.										
7) Seek further contract/legal advice on key contract cost risks as necessary (linked to item 4 above).										
Overall risk treatment: Reduce, with a focus on reducing project costs										
Progress update										

Progress update

- 1) The project Board is in place and meets monthly, receiving reports on progress, cost and risk. Process includes updates and feedback from the NDR Member Group who are providing additional project scrutiny.
- 2) The project commercial team has been reinforced and will be maintained at appropriate levels to provide sufficient scrutiny throughout the remaining works and until closure of the final account. External specialists continue to examine Balfour Beatty's project costs. Further resource or specialist advice to be discussed at Board meetings.
- 3) Contractor has agreed a programme to complete all the remaining works in three phased sections. Board and NDR Member Group to be provided with details and updates as works progress. The first phase (A1067 to A140) was completed and opened on agreed date of 11 November 2017.
- 4) Project administration controls and client commercial team are maintaining systems and staffing levels to monitor ongoing costs and contract information. The specialist review of allowable costs will provide input to this. Contract administration will continue to be managed through CEMAR software package. Project cost forecasting also to be updated in line with programme (see 3 above). Compensation events from October onwards being assessed as actual cost + fee.
- 5) Regular weekly joint construction team meetings held to ensure delivery maintains momentum on site. Further meetings being held between respective commercial teams to deal with closing out necessary contract changes and programme management. Senior management meetings also continue to discuss the commercial position with a focus on reducing costs. Details to be reported to Board and NDR Member Group.
- 6) A governance (delegated purchasing of land) audit and a contract variations audit are being carried out. The governance audit has been completed with the report to be presented to the Member Group. The audit of contract variations is nearing completion. Further cost analysis by specialist consultants also commenced at the end of August 2017. Findings will be reported to the Board and Member Group.
- 7) Specialist contract advice has assisted the negotiations relating to contract changes. These changes have been checked with legal team and details were included in the 27 November P&R Committee report. Contract issues will be discussed at Board and Member Group meetings.

Risk Number		RM018				Date of update		12 December 2017		
Risk Name		Potential failure to move out of intervention.								
Risk Owner		Sara Tough				Date entered on risk register		01 December 2013		
Risk Description										
CS Teams do not show the required levels of improved performance at the speed which is acceptable to DfE and Ofsted.										
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-18	Green
Tasks to mitigate the risk										
<p>Quarterly stocktake meetings are undertaken by Essex, commissioned by the Department for Education. Responsive action plans are designed and delivered following each Ofsted monitoring visit/Essex stocktake.</p> <p>Our Improvement Plan is in place.</p> <p>An Improvement Board has been established to drive and monitor improvement activity. This Board is Chaired by the Managing Director and has a senior level, multi-agency membership.</p>										
Progress update										
<p>Feedback from the June 2017 monitoring visit was positive with Ofsted identifying progress and expressing greater levels of confidence in key areas of previous concern. As a result of our improvement, Ofsted have assessed that we do not require further monitoring visits and as a result, we will be subject to reinspection in the next 6 months.</p> <p>Feedback from Essex stocktake meetings consistently evidence improvement.</p> <p>The Improvement Board is well established and is ensuring the requisite pace and focus is maintained.</p> <p>Ofsted carried out an inspection of Children's Services in November 2017, with results currently awaited.</p>										

Risk Number	RM019					Date of update		11 December 2017		
Risk Name	Failure to deliver a new fit for purpose social care system on time and to budget.									
Risk Owner	James Bullion					Date entered on risk register		24 February 2016		
Risk Description										
A new Social Care system is critical to the delivery and efficiency of Adults and Children's Social Services. This is a complex project and the risk is the ability to deliver on time along with the restriction on making any system changes to the existing system (Carefirst)										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	5	20	3	5	15	1	4	4	Jun-18	Green
Tasks to mitigate the risk										
1) Ensure effective governance is in place 2) Set up a project team to manage the project. 3) Determine go live dates for Adults Services, Children's Services, and Finance. 4) Deliver implementation of the new system 5) Complete User Acceptance and Data Migration Testing 6) Deliver change and training										
Progress update										
1a) Clear governance is in place. The Project Sponsors are Janice Dane (Adults), Debby McKechnie (Children's) and John Baldwin (Finance). This is overseen by CLT: a Programme Board was set up to replace JLAG (Joint Leadership Advisory Group) including the Directors of Adults, Children's and Finance and Commercial Services . 1b) There are weekly Joint Leadership Advisory Group (JLAG) Lead sessions with the Project Sponsors and the Project Team; and regular updates to Adults Committee and to CLT. 2) A core Project Team has been up and running since January 2016 (with strong practitioner involvement). A network of champions has been established in Adult Social Services and Children's Services. 3) Adults and Finance successfully went live on 22 November 2017 and Children's and Finance are planned to go live in March 2018. 4) Delivery of implementation is proceeding in line with the plan. Adults and Finance Go Live - Considering the scale of the change that has happen d, requiring some significant changes to behaviours in staff and managers, this process has been relatively smooth. Payment and billing runs have been made from the system and approximately 70 providers are using the Provider Portal. A support helpdesk is up and running in a central location. 5) Children's and Finance -For the social care and early help part of the system the third round of testing was completed on 21 November and for the finance part of the system the iterative cycle of build and test will continue until mid-December. The Children's half of the programme is approaching the implementation phase once the fourth round of testing is completed in mid-January 2018. After this point the class room training will commence, the dry run of the go live process will be completed with the go live and manual migration work will commence w/c 19 March. 6) Final preparations are underway to set-up the e-learning and training enrolment process for Children's prior to Christmas.										

54

Risk Number	RM021					Date of update		11 December 2017		
Risk Name	Failure of Estate Management									
Risk Owner	Simon George					Date entered on risk register		21 June 2016		
Risk Description										
There is a risk that the Council does not have a clear policy around estate management, is not acting in line with the expectations of a landlord, and does not have sound tenancy agreements in place.										
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	2	6	2	2	4	Mar-18	Amber
Tasks to mitigate the risk										
1) County Farms Performance Review Meeting to be established and attended by officers. 2) Recommendations from the County Farms audit report to be implemented with progress to be noted at the County Farms Performance Review Meetings. 3) Follow-up audit to be established and reported to the January 2017 Audit Committee. 4) Reconstitute the County Farms Review Meeting. 5) Procure a new property data base for the management of the estate.										
Progress update										
1) An update on the audit report and recommendations reported to B&P committee on the 8th September 2017 – where it was noted Subsequent B&P meetings have received regular updates 2) The proposals for the new lettings policy and agricultural strategy was agreed by B&P and then subsequently Policy and Resources committee 3) A programme of tenant engagement and meetings have been planned in. There was a tenant's meeting in November 2017 to update tenants on progress. 4) The major outstanding action is the replacement of the IT system, which is being considered within the context of the whole teams requiriements.										

Risk Number	RM022					Date of update		07 December 2017		
Risk Name	Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff ('Brexit').									
Risk Owner	Wendy Thomson					Date entered on risk register		26 July 2016		
Risk Description										
There are important implications to the Council in four main areas: 1) The Council's EU funded programmes supporting the local economy. 2) The legal base – there are many EU laws that affect the day job of local councils. 3) Council services dependent on a migrant workforce – for example nationally, 7% of existing adult social care staff come from other EU nations 4) Place-based impact – there will be real and varied impacts and opportunities in our local economy. There is a risk that initially, implications for Norfolk County Council of the UK leaving the EU are not known or understood, causing uncertainty in Council business, planning, and service delivery. Uncertainty on both performance delivery and designation of the Council as Managing Authority following the EU referendum result could lead to an inability to draw down the funding required to manage the programme and have a significant reputation impact on the Council leading to an inability to submit payment claims to the EU. Cause: The EU Referendum held in June 2016, with the UK as a whole voting to leave the EU.										
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	Oct-18	Amber
Tasks to mitigate the risk										
1) Norfolk County Council should continue to monitor Brexit developments and developing responses to the four areas in which the council will be affected (EU funding, legal issues, workforce issues, place-based impact).										
2) We are members of the LGA Brexit Sounding Board and local authority officer network to keep abreast of local government thinking and influencing of post Brexit policy. We have jointly commissioned work with the LEP and Suffolk County Council to understand the business impact of Brexit within the New Anglia area.										
3) We have agreed the principals and framework for regional investment post Brexit to ensure the level of current funding is protected, including asking for funds to be devolved locally, so that the economic benefit of the funding is secured.										
4) Human Resources to support managers and staff who may be affected by this issue.										
5) Regular meetings are taking place with the Department for Communities and Local Government (DCLG) and the Department for Business, Energy and Industrial Strategy (BEIS) regarding a managed exit from EU funded programmes to ensure NCC's liabilities are met.										
Progress update										

Progress update

1) CLT agreed Vince Muspratt should continue to be the officer responsible and highlight any changes that would impact the council.

CLT received a presentation in October and agreed 3 strands of work in line with the LGA approach:

- a. Future of EU Funding
- b. Place-based impact
- c. Laws affecting councils

The P&R report scheduled for November has been postponed due to the lack of progress (see below)

2) The Green Paper regarding the Shared Prosperity Fund has not yet been published (expected Q1 2018): our response will come before Members in a P&R report in due course. NCC is represented on the LGA national Brexit Sounding Board by Vince Muspratt, the Sounding Board will resume after publication of the Green Paper. We will work with New Anglia partners on a joint response.

3) EU programmes (which the council is responsible for) have been implementing actions to bring forward project applications, to ensure they qualify for the government commitment to honour contracts issued before we leave the EU.

4) Internal Project Board is aware of NCC liabilities; nplaw have drafted a Deed of Guarantee seeking written assurance from DCLG that they will meet our liabilities in order to close the Programme. DCLG have raised the issue with Ministers, as is our MA status after we leave the EU.

5) An announcement was made on 8 December that sufficient progress had been made in negotiations and that current funding programmes will continue to run until their original close date. We are monitoring for implications of this.

6) We have raised the issue of Trading Standards (their ability to act as a National Body certified by the EU, charging for highway services) with the LGA to play into their negotiations with DExEU

7) Analysis being undertaken of migrant workforce in Norfolk to feed into LGA request for evidence. Data also being gathered on Norfolk businesses export markets.

Risk Number	RM023					Date of update		05 December 2017		
Risk Name	Failure to understand and act upon changes to demography, funding, and government policy, with particular regard to Adults Services.									
Risk Owner	James Bullion					Date entered on risk register		18 August 2017		
Risk Description										
There is a risk of failure to fully understand and act upon changes to demography, funding, and government policy. Cause: Changes to demography, funding, and government policy. Event: The Council fails to plan and adapt to change effectively for the future. Effect: Outcomes for Norfolk citizens may worsen.										
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	2	4	8	Mar-30	Amber
Tasks to mitigate the risk										
1) Implementation of Promoting Independence Strategy. This strategy is shaped by the Care Act with its call to action across public services to prevent, reduce and delay the demand for social care. The strategy aims to ensure that demand is understood and managed, and there is a sustainable model for the future. 2) As part of the strategy, a shift of spend towards targeted prevention, reablement services, enablement, and strengthened interim care. 3) Implementation of Better Care Fund plans which promote integration with the NHS and protect, sustain and improve the social care system. 4) A new set of NCC corporate priorities which aims to address longer-term demand management in children's and adult services.										
Progress update										
1) Promoting Independence change programme established. First set of change activities prioritised and agreed; robust and extended (to 5 years) target demand model in place to model scenarios and set volume and saving targets. 2) Business cases for change prioritised to address key shifts which need to be made; underpinned by and aligned to commissioning and de-commissioning. Critical enabler is embedding strengths-based practice. 3a) Initial plans for investment of additional Better Care Fund monies discussed with Health and Wellbeing Board; clear alignment with Promoting Independence and STP expectations. Significant delays in publication of national guidance on BCF which has delayed production of a local two year BCF Plan. When finalised this will include an Integration Plan with objectives linked to STP. 3b) Performance management arrangements for the BCF to provide additional assurance and progress on shared BCF targets including reablement, and reductions in residential care. 4) Analysis of workload patterns across adults social services; agreement by Adults committee to invest in additional social work capacity and recruitment launched. Critical enabler is embedding strengths-based practice; innovation site began on 12th September 2017, with two further sites to be rolled out.										

Risk management discussions and actions

Reflecting good risk management practice, there are some helpful prompts that can help scrutinise risk, and guide future actions. These are set out below.

Suggested prompts for risk management improvement discussion

In reviewing the risks that have met the exception reporting criteria and so included in this report, there are a number of risk management improvement questions that can be worked through to aid the discussion, as below:

1. Why are we not meeting our target risk score?
2. What is the impact of not meeting our target risk score?
3. What progress with risk mitigation is predicted?
4. How can progress with risk mitigation be improved?
5. When will progress be back on track?
6. What can we learn for the future?

In doing so, committee members are asked to consider the actions that have been identified by the risk owner and reviewer.

Risk Management improvement – suggested actions

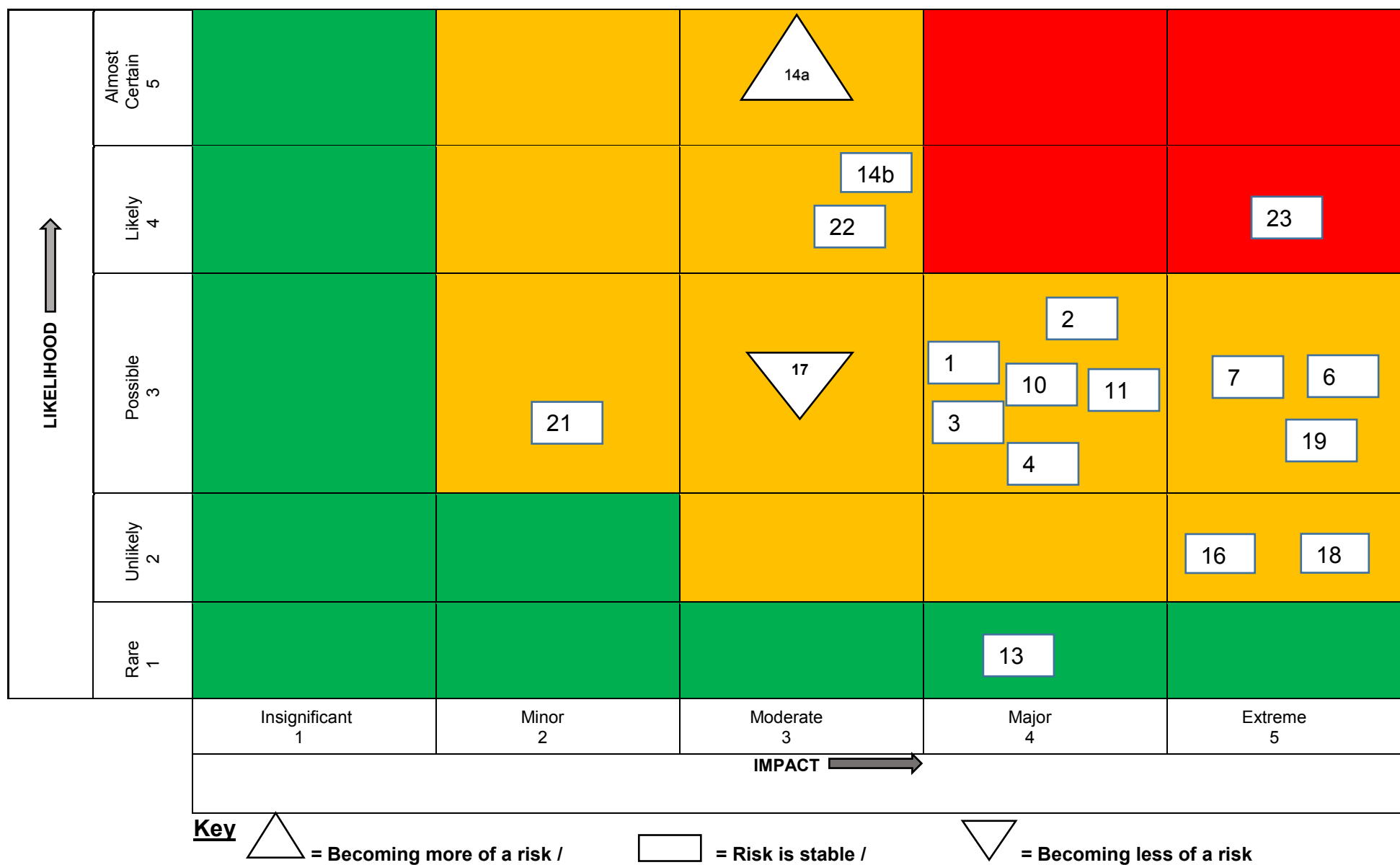
A standard list of suggested actions have been developed. This provides members with options for next steps where reported risk management scores or progress require follow-up and additional work.

All actions, whether from this list or not, will be followed up and reported back to the committee.

Suggested follow-up actions

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

Corporate Strategic Risks - Heat Map



No.	Risk description	No.	Risk Description
1	Infrastructure is not delivered at the required rate to support existing needs and the planned growth of Norfolk.	11	The potential risk of failure to implement and adhere to an effective and robust performance management framework.
2	The potential risk of failure to manage significant reductions in local and national income streams.	13	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions.
3	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practice relating to information compliance and information security.	14a	The amount spent on home to school transport at significant variance to predicted best estimates.
4	The potential risk of failure to deliver effective and robust contract management for commissioned services.	14b	The savings to be made on Adult Social Services transport are not achieved.
6	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2018/19 – 2020/21.	16	Failure to adequately embed Business Continuity into the organisation.
7	Potential risk of organisational failure due to data quality issues.	17	Failure to construct and deliver Norwich Northern Distributor Route (NDR) within agreed budget (£205m).
10	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.	18	Potential failure to move out of intervention.
		19	Failure to deliver a new fit for purpose social care system on time and to budget.
		21	Failure of Estate Management.
		22	Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union which may impact on Council objectives, financial resilience and affected staff ('Brexit').
		23	Failure to understand and act upon changes to demography, funding, and government policy, with particular regard to Adults Services.

Audit Committee

Item No.....

Report title:	Norfolk Audit Services Report for the quarter ending 30 September 2017
Date of meeting:	23 January 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 <u>Constitution</u> 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 (2.19)
- France Channel England FCE Update (2.21)
- External matters of Note (2.24)

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 Audit Authority Auditor)
- 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	Total to 30/09/2017	Annual Target
Final audit reports (non-schools)	6*	2	8	20
Final audit reports (schools – compliance/themed Audits)	0	0	0	0
Management Letters	7	0	7	-
Total Audits for opinion work	13	2	15	20**

*Traded Schools (including traded audits and healthchecks)	8	3	11	34
Certified grant claims	7	5	12	30
Follow-up report	0	0	0	0
Pension Audits	3	0	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. There are two findings that are rated as Amber where the action taken has been delayed. There are satisfactory action plans in place to resolve these during the first quarter of 2018. Details are shown in table 2 below:

Table 2: Corporate High Priority Audit Findings

Department	Green Rated	Amber Rated	Blue Rated	Total
Adult Care	0	0	1	1
Children's Services	0	1	1	2
Communities and Environment	0	0	0	0
Finance and Commercial Services	7	1	0	8
Total NCC	7	2	2	11
Schools	0	0	0	0
Total Corporate High Priority Findings	7	2	2	11

- 2.7 There continues to be a good take up of Traded Schools Audits.
- 2.8 Details are set out in the separate Internal Audit Strategy report on this agenda for work is underway to develop an action plan for the Internal Audit Team to further develop four 'ways of working', being:
- Strategy into Action/Accountability
 - Commerciality/Business Like
 - Data Analytics/Evidence Based
 - Collaboration/Influencing

Whistleblowing

- 2.9 The responsibility for managing Whistleblowing referrals has transferred to the Council's Chief Internal Auditor. An appropriate investigator will be allocated where an investigation is required.

Anti-Fraud and Corruption

- 2.10 NAS 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 ongoing projects are to review and update the following:

- 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)
- 2.11 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.
- 2.12 Norfolk Audit Services makes every effort to reduce its carbon footprint. More details are described in **Appendix B**, Section 4 (4.2)
- 2.13 Satisfaction Questionnaires are issued with draft reports and grant work performed. We have received positive feedback for 2 responses in the quarter ending 30 September 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.
- 2.14 The operation of the France Channel England Interreg Audit Authority is progressing satisfactorily (see 2.21 below).
- 2.15 Supporting notes and Technical Details for this report appear at **Appendix B**, for reference only.
- 2.16 **Other relevant information**
- 2.17 LGPS Pooling Update
- 2.18 The Government requires regional Local Government Pension Scheme (LGPS) Funds to work together to "pool investments to significantly reduce costs, while maintaining investment performance".

- 2.19 The Norfolk Pension Fund is working with 10 other Administering Authorities, collectively known as the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The ACCESS Funds are Cambridge, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, Northamptonshire, Suffolk and West Sussex. An Inter-Authority Agreement (IAA) has been signed by all 11 authorities defining governance and cost sharing arrangements for the ACCESS Pool. Approval for the Norfolk Pension Fund to enter into the IAA for the pooling of assets was given by County Council on the 20th February 2017.
- 2.20 The ACCESS Pool is governed by a Joint Committee made up of one elected councillor from each authority's Pensions Committee. Norfolk is represented by the Pension Committee Chair (Cllr Jordan). The Norfolk Pensions Committee receive quarterly progress reports on the work of ACCESS.
- 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 has taken place and a new member of staff will start in January 2018.
- 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. Report of the Comptroller and Auditor General: Whole of Government Accounts 2015-16 – July 2017
2. Her Majesty's Revenue & Customs Annual Report and Accounts 2016-17 – July 2017
3. The first sale of shares in Royal Bank of Scotland – July 2017
4. Progress in setting up combined authorities – July 2017
5. Department for Work and Pensions Accounts 2016-17 – July 2017
6. HM Treasury's economic analysis in the lead-up to the referendum on European Union Membership – July 2017
7. Managing conflicts of interest and keeping public trust – August 2017
8. Due diligence processes for potential donations – August 2017
9. Round-up for Audit Committees – September 2017

10. Cyber security and information risk guidance for Audit Committees – September 2017

11. Audit Committee self-assessment checklist – September 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 68% 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:

Officer Name: Adrian Thompson - Chief Internal Auditor

Tel No: 01603 222784

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



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Appendix A

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

There were five final reports in the quarter, being; two non-schools, one full traded school audits, two traded school health checks. There were no management letters issued. In addition, five grants were certified during the period.

Final Reports

Finance

1. AF&C Audit – Departmental Imprest Accounts (Unannounced Visits)
2. Carbon Reduction Scheme

Traded Audits

3. Hethersett VC Junior School (full audit)

School Traded Health checks

4. Wrenningham VC Primary School
5. Holly Meadows

Certified Grants

6. SAIL

7. Green Pilgrimage (June 2017)
8. LA Bus Subsidy (September 2017)
9. Disabled facilities grant (September 2016)
10. Fire (June 2016)- Sarah Williamson

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	3	2
Grants	0	0
Analysis of results:		
	Expectations Met*	Disappointed or Very Disappointed
	2	0

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

Audit Committee

Item No.....

Report title:	External Auditor's Annual Audit Letter 2016-17 and Audit Committee Briefing
Date of meeting:	23 January 2018
Responsible Chief Officer:	Executive Director, Finance and Commercial Services
Strategic impact The Audit Committee consider the work of the Council's External Auditors in accordance with their terms of reference, which are part of the Council's Constitution, part 4.1 (4.4) . (page 11) being: F. External Audit 1. Consider reports of external audit and other inspection agencies. 2. Ensure there are effective relationships between external audit and internal audit.	

Executive summary

The purpose of this report is to introduce the External Auditor's Annual Audit Letter 2016-17, which is attached as **Appendix A**. This letter is one of certain communications that EY must provide to the Audit Committee of the audited client. The Pensions Committee will receive a separate letter for their approval. This letter has been published on the Council's website.

Our External Auditors publish Local Government Audit Committee Briefings and the latest briefing for Local Government is attached as **Appendix B**.

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

Members are recommended to consider:

- the External Auditor's Audit Letter 2016-17
- the key messages and questions in the briefing

1. Introduction

This Annual Audit letter (Appendix A) is one of certain communications that EY must provide to the Audit Committee of the audited client. This letter complements the External Auditor's Annual Results Report for 2016-17 reported to this Committee on 21 September 2017.

2. Evidence

The External Auditor's Annual Audit Letter for 2016-17 is attached as **Appendix A** to this report. A briefing note for the Committee is attached at **Appendix B**.

Responses for the questions, posed in the briefing note, are as follows:

How is the impact of Brexit being factored into the authorities MTFP projections?

- The County Council recognised the potential impact of Brexit in its 2017-20 Medium Term Financial Strategy and this will be updated in the next Medium Term Financial Strategy presented to Policy and Resources Committee on 29 January 2018 and County Council on 12 February 2018. The potential impact is also recognised as a corporately significant risk and is included within the Council's risk register. The County Leadership Team have nominated an officer to be responsible for monitoring and highlighting any changes that would impact on the Council. The officer attends the LGA Brexit Sounding Board and also meets with government officials to ensure Norfolk County Council's liabilities are met.

Has your local authority considered the impact of the proposed financial settlement for 2018/19?

- Implications of the proposed settlement are being reported to Service Committees in January 2018 and will be included within the overall 2018/19 budget and Medium Term Financial Strategy presented to Policy and Resources Committee on 29 January 2018 and County Council on 12 February 2018.

What assurance do you have that your council's owned trading companies have effective governance arrangements in place?

- Governance of trading companies is included within the Council's risk register as a corporate risk. All companies have a system of governance which is the responsibility of their Board of Directors. Regular Board meetings are held with shareholder meetings and reporting taking place as required. Policy and Resources Committee is responsible for recommending to County Council the appointment of new directors to the companies when a vacancy arise. The Executive Director of Finance and Commercial Resources is responsible for reviewing the ongoing viability of trading companies and regularly reporting the performance of their activities, with a view to ensuring the County Council's interests are being protected. For example commissioning a review of governance or financial performance as required.

What actions has your local authority taken to ensure that it is best placed to achieve the financial accounts early closure timetable of 31 July 2018

- The Council is working closely with the External Auditor to meet the early closure timetable. In preparing the 2016-17 accounts, the timetable was reduced in order to prepare for the shorter timescale for the 2017-18 accounts. Officers have reviewed the lessons learnt and where necessary made changes to prepare for the shorter timescale and are on course to meet the closure timetable of 31 July 2018.

How has the uncertainty around future charges for planning applications affected your council?

Norfolk County Council had made a commitment to use the promised increase in planning fees to support its statutory duties as a county planning authority. The delay has led to a reduction in forecast income for 2017/18 which is unfortunate as it has coincided with increased costs associated with the review of our minerals and waste plan. Looking forward

we will be reviewing our local development scheme and statement of community Involvement in 2018. The timescales and levels of community engagement we can provide will reflect our income forecasts, which in turn will be influenced by any uncertainty to deliver the planning fee uplift, previously promised.

How does your council ensure that it has a sustainable financial plan for the increasing demand for adult social care?

We ensure that we have a plan by having a promoting independence corporate priority and associated strategy which is aimed at demand management and the achievement of sustainable savings for adult social care, This is monitored through the corporate priorities steering group and Adult Services Committee. Monitoring includes updating of actions, financial monitoring and risks. (Corporate risk RM023)

3. Financial Implications

There are no specific financial implications other than those noted above.

4. Issues, risks and innovation

Risk implications

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

5. Background

- 5.1 The Council's Financial Statements cover several reporting entities making up the Council's group accounts. Each entity has an audit plan for the financial year and these are provided by different auditors

Entity	Auditor
Norfolk County Council	EY
Norfolk Pension Fund	EY
Norse Group	PwC
Independence Matters	EY
<i>Not consolidated on basis of materiality:</i>	
<i>Hethel Innovation Limited</i>	<i>Small Companies Exemption from Audit –</i>
<i>Great Yarmouth Development Co. Ltd</i>	<i>Companies Act 2006 (part 476 and 477)</i>
<i>Norfolk Energy Futures Ltd</i>	
<i>Norfolk Safety CIC</i>	

Officer Contact

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

Name	Telephone Number	Email address
Simon George	01603 222400	simon.george@norfolk.gov.uk
Adrian Thompson	01603 222784	adrian.thompson@norfolk.gov.uk



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

Norfolk County Council

Annual Audit Letter for the year ended 31 March 2017

October 2017

Ernst & Young LLP

Contents

Executive Summary	2
Purpose.....	5
Responsibilities.....	7
Financial Statement Audit	10
Value for Money	17
Other Reporting Issues.....	20
Focused on your future.....	23
Appendix A Audit Fees	25

Public Sector Audit Appointments Ltd (PSAA) have issued a "Statement of responsibilities of auditors and audited bodies". It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

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 (updated 23 February 2017)" issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

A hand with white nail polish is writing on a document with a blue pen. In the background, there is a calculator, a white cup, and a laptop. A yellow rectangular box is overlaid on the left side of the image.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Norfolk County Council (the Council) following completion of our audit procedures for the year ended 31 March 2017.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's and Pension Fund's:	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended.
▶ Financial statements	
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Statement of Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Annual Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 12 September 2017 for Norfolk County Council and 7 September 2017 for Norfolk Pension Fund.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 27 September 2017.

We would like to take this opportunity to thank the Council and Pension Fund staff for their assistance during the course of our work.

Mark Hodgson

Associate Partner
For and on behalf of Ernst & Young LLP

Purpose



Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in the following reports:

- 2016/17 Audit Results Report for Norfolk County Council - Reported to the Audit Committee on 21 September 2017; and
- 2016/17 Audit Results Report for the Norfolk County Council Pension Fund - Reported to the Pension Committee on 19 September 2017 and the Audit Committee on 21 September 2017.



Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 15 June 2017 and is conducted in accordance with the National Audit Office's Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2016/17 financial statements including the Pension Fund; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Council

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

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

The background of the slide is a blurred photograph of a desk. On the desk, there is a laptop with a blue screen, several clear glasses filled with water, and some papers. One of the papers in the foreground shows a circular diagram with segments and a table with columns and rows. The overall scene suggests a professional or financial setting.

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's 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 audited the Council and Pension Fund's Statement of Accounts in line with the National Audit Office's Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 27 September 2017.

Our detailed findings were reported to the September 2017 Audit Committee.

The key issues identified as part of our audit were as follows:

Norfolk County Council and Group Accounts

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that 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>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>

<p>Risk of fraud in revenue recognition</p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We have rebutted this risk for the Council's income and expenditure streams except for the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme.</p>	<p>We did not identify any material weaknesses in the recognition of revenue.</p> <p>We did not identify any instances of inappropriate judgements or estimates being applied.</p>
Other Key Findings	Conclusion
<p>Presentation of the financial statements</p> <p>Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) changing the way the financial statements are presented.</p> <p>The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement, and include the introduction of a new Expenditure and Funding Analysis note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.</p> <p>This change in the Code will require a new structure for the primary statements, new notes and full retrospective restatement of comparatives. This restatement will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.</p>	<p>We did not identify any material issues in the work performed.</p>

Other Key Findings (continued)	Conclusion
<p>Property, plant and equipment valuations</p> <p>Property, Plant and Equipment (PPE) represents a material item on the Council's balance sheet. PPE is initially measured at cost and then revalued to fair value (determined by the amount that would be paid for the asset in its existing use) on a 5 year rolling basis.</p> <p>This is carried out by an expert valuer and is based on a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment.</p>	<p>Following full consideration of their work, we placed reliance on the Council's valuer. We did not identify any material issues in relation to the valuations.</p> <p>There were no other matters to report.</p>
<p>Academies</p> <p>As set out in our audit plan, a number of schools have continued to convert to academy status since 2015/16. This has implications for the treatment of the schools' property, plant and equipment (PPE), debtors, creditors, cash, balances and income (including dedicated schools grant) and expenditure within the Council's accounts. Due to the size of the Authority's PPE balance we have focussed our work on this area. There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.</p>	<p>We did not identify any exceptions in the completion of our audit work.</p>

Other Key Findings (continued)	Conclusion
<p>Pensions valuations and disclosures</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.</p> <p>The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.</p> <p>The information disclosed is based on the IAS19 report issued to the Council by the actuaries to the Norfolk Pension Fund.</p> <p>As part of their actuarial review, councils are being asked to make additional payments to the pensions scheme to fund deficits.</p>	<p>Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable.</p> <p>The sensitivities surrounding these assumptions have been correctly disclosed in Note 6 and 39 to the financial statements.</p> <p>No issues were identified in completing our work.</p>

Norfolk Pension Fund Accounts

Significant risk	Conclusion
<p>Risk of management override</p> <p>As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and to prepare fraudulent financial statements by overriding controls that otherwise seem to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Fund's normal course of business</p>
Other Key Findings	Conclusion
<p>Valuation of complex investments (Unquoted investments)</p> <p>The Fund's investments include unquoted pooled investment vehicles such as private equity, and property investments.</p> <p>Judgments are taken by the Investment Managers to value those investments whose prices are not publically available. The material nature of Investments means that any error in judgment could result in a material valuation error.</p> <p>Current market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could have a material impact on the financial statements.</p> <p>As these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments higher risk, as even a small movement in these assumptions could have a material impact on the financial statements.</p>	<p>We did not identify any other issues in the completion of our work.</p>

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality: Norfolk County Council	We determined planning materiality to be £14.5 million, which is 1% of gross revenue expenditure on services reported in the accounts of £1,450 million.
Norfolk Pension Fund	We determined planning materiality to be £34.2 million which is 1% of Net Assets.
Reporting threshold: Norfolk County Council	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.726 million.
Norfolk Pension Fund	The threshold for reporting audit differences is £1.7 million.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures - reduced materiality level of £5,000 applied in line with bandings disclosed.
- Related party transactions, members' allowances and exit packages - reduced materiality level applied equal to the reporting threshold.
- Fire Pension Scheme - We have adopted a smaller materiality of 1% of benefits payable to reflect the differing nature of the Pension Scheme.
- Members' allowances - As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



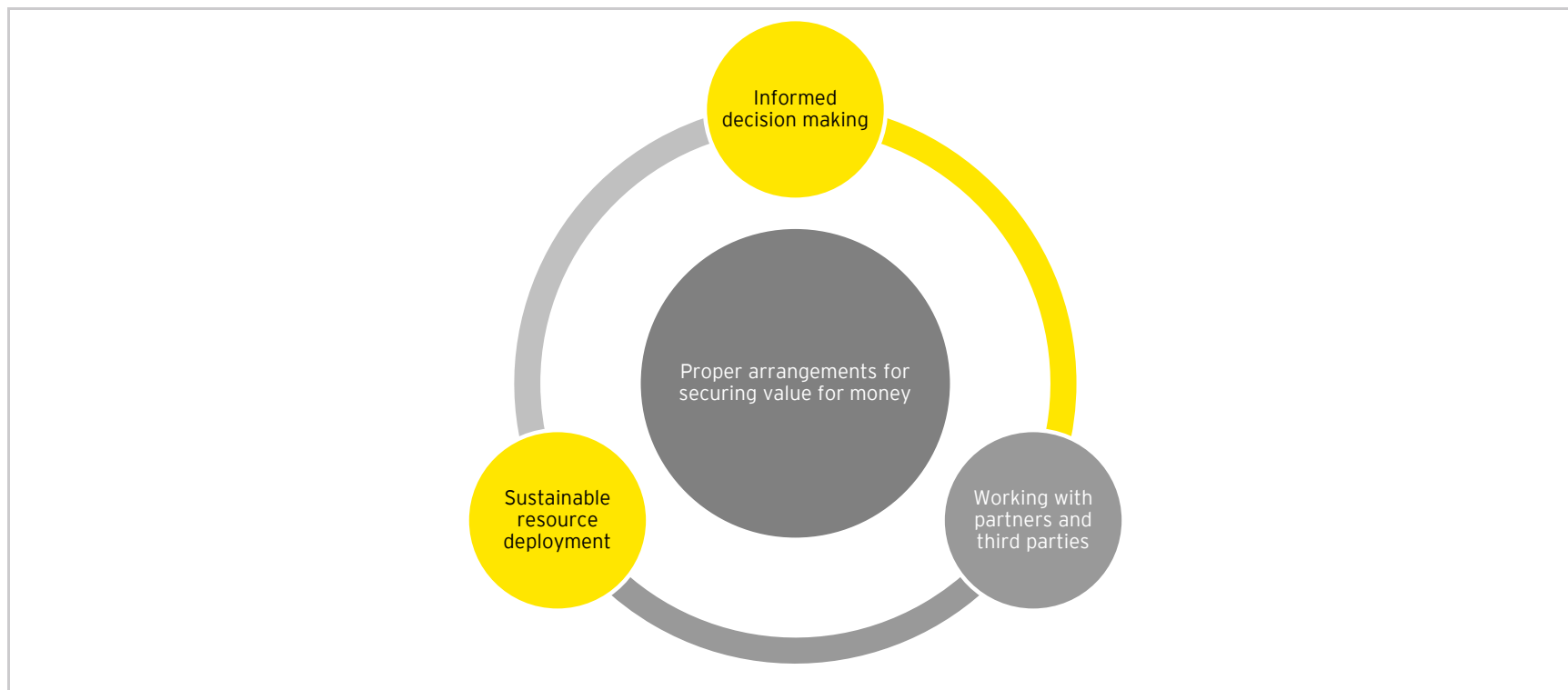
Value for Money

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

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



We identified one significant risk in relation to these criteria.

Key Findings

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

Risk

In its Medium Term Financial Strategy issued in February 2015, the Council identified a cumulative budget gap of £85.7 million over the three years 2015/16 to 2017/18.

Since that time, the Council has extended its projections to 2018/19, which has resulted in the inclusion of new cost pressures and increased its saving targets by a further £82.9 million. This includes a total of £58 million to mitigate the impact of any unanticipated financial pressures, and to allow member choices around the delivery of a balanced budget.

Although the Council has assessed savings, there remains a risk that savings are not achievable at the planned level.

Findings

The Council has a good record of identifying and making savings, and in meeting its budget.

- ▶ The Council has a savings target of £47.774 million in 2017/18 and the medium term financial strategy sets a further net savings requirement of £43.481 for 2018/19. The scale of savings and service transformation to be delivered by the Council over the medium term remain significant. However, at the end of May 2017 the Council was forecasting to deliver savings of £46.592 million, and during the 2017/18 budget setting process the Council had already identified savings for 2018/19 amounting to £27.772 million.
- ▶ In addition, the Council's level of un-earmarked general fund reserves (£19.301 million at 31 March 2017) are being maintained at the minimum levels range set by the Council's s151 officer. These provide the Council with the flexibility to manage its financial position over the short-to-medium term, and reduce the risk that an unexpected overspend, or unexpected one-off item of expenditure, has a detrimental impact on the Council's financial standing.
- ▶ The Council also has in place general fund earmarked reserves (£75.187 million at 31 March 2017). The existence of these reserves provides further evidence of the Council's prudent approach to financial management.
- ▶ Our review of the budget setting process, assumptions used in financial planning, in year financial monitoring, and the Council's history of delivery has not identified any significant matters that we wish to report to you.

We therefore issued an unqualified value for money conclusion on 27 September 2017.



Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We performed the procedures required by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We had no issues to report.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

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

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2016/17 financial statements from member of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 27 September 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. In accordance with our Audit Plan we have tested the key financial controls within the accounts receivable, accounts payable, payroll and LMS financial systems.

Testing of controls in the Accounts Payable financial system identified that it is possible for the same person to both raise an order and receive delegated responsibility to approve the payment. This represents a lack of segregation of duties. As we see this as a key control, we carried out additional procedures to ensure this control weakness had not resulted in a material error within the financial statements.

Recommendation: *The Council should review delegation procedures for the accounts payable financial system to mitigate the same person raising an order and approving payment.*

We have no other matters that we wish to report.

A close-up, shallow depth-of-field photograph of a person's face as they look through a pair of black binoculars. The person's eyes are visible through the eyepieces, and their hands are holding the binoculars. The background is a soft, out-of-focus white. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Focused on your future'.

Focused on your
future

Focused on your future

Area	Issue	Impact
<i>Earlier deadline for production and audit of the financial statements from 2017/18</i>	The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council has reviewed and amended the closedown process to achieve draft accounts production by early June for 2016/17.</p> <p>We will work with the Council to engage early, following the completion of the 2016/17 audit, to facilitate early substantive testing for 2017/18 and also to consider steps the Council can take, for example:</p> <ul style="list-style-type: none"> Streamlining the Statement of Accounts removing all non-material disclosure notes; Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations; Providing training to departmental finance staff regarding the requirements and implications of earlier closedown; Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure; Establishing and agreeing working materiality amounts with the auditors.

Appendix A

Audit Fees

Appendix A Audit Fees

Our fee for 2016/17 is in line with the scale fee set by Public Sector Audit Appointments Ltd(PSAA) and reported in our September 2017 Audit Results Report.

Description	Final Fee 2016/17 £'s	Planned Fee 2016/17 £'s	Scale Fee 2016/17 £'s	Final Fee 2015/16 £'s
Total Audit Fee - Code work (Note 1)	131,084	127,742	127,742	134,081
Total Audit Fee - Non- audit work (Note 2)	TBC	TBC	N/A	14,900
Total Audit Fee - Norfolk Pension Fund (Note 3)	29,402	27,099	27,099	27,099

Note 1: Our actual fee is higher than the scale fee set by the Public Sector Audit Appointments (PSAA) Ltd due to additional work required to review the Council's revised Minimum Revenue Provision policy. This additional work had an additional fee of £3,342. These additional fees are subject to agreement with PSAA.

Note 2: The fee for non-audit work will be discussed with management and reported to the Audit Committee in subsequent reporting once the scope of work has been agreed for 2016/17. This work relates to the certification arrangements for the Teachers' Pension grant return and Major Projects Return.

Note 3: The additional fee relates to the procedures we are requested to undertake by auditors for admitted bodies for the purposes of IAS 19 requirements. This has been approved by the PSAA.

We will confirm our final fees following the completion our non-audit work.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

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ED None

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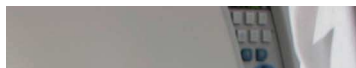
[ey.com](https://www.ey.com)

A pair of hands is shown holding a large pile of Euro coins, including 1 Euro and 2 Euro coins, over a rustic wooden surface. The coins are stacked and scattered, with some showing the 'EURO' and '2018' markings. The background is a warm, textured wood.

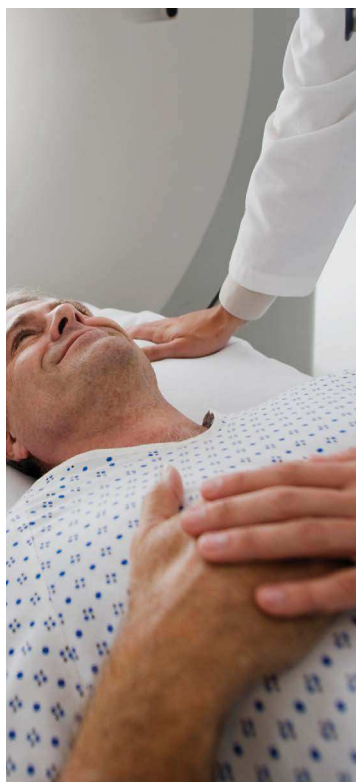
Local Government Audit Committee Briefing



Building a better
working world



Contents at a glance




Government and
economic news **2**

Accounting,
auditing and
governance **4**

Key questions
for the Audit
Committee **5**

Find out
more **5**



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

It covers issues which may have an impact on your organisation, the Local Government sector, and the audits that we undertake.

The briefings are produced by our public sector audit specialists within EY's national Government and Public Sector (GPS) team, using our public sector knowledge, and EY's wider expertise across UK and international business.

The briefings bring together not only technical issues relevant to the Local Government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing.

We hope that you find the briefing informative and should this raise any issues that you would like to discuss further, please contact your local audit team.





Government and economic news

EY Item Club forecast

The latest EY Item Club forecast highlights how this year's general election result has increased political uncertainty and hindered the Article 50 EU exit negotiations, but that it could lead to a more business-friendly Brexit (with agreement on transition arrangements and to a comprehensive free trade agreement).

In terms of the economy itself, the surge in inflation has slowed consumption which, combined with investment and exports failing to offset this effect, meant GDP growth fell back to 0.2% quarter-on-quarter in the first three months of 2017. The outlook for the rest of the year remains poor, and the April forecast of 1.8% for GDP growth in 2017 has been revised down to 1.5%. Conversely, the growth forecast for next year of 1.2% has been revised up to 1.3%.

Consumer spending grew by just 0.4% quarter-on-quarter in Q1 of 2017, down from 0.7% in Q4 of 2016 and 0.8% in each of the previous quarters. This is a reflection that household savings are already very stretched, wage growth remains low, whilst inflation is picking up faster than expected. When wages fail to keep pace with price rises, inflation reduces the strength of consumption and pushes down demand. With the economy slowing it seems unlikely that falling unemployment could now trigger a significant increase in wage inflation. In terms of Consumer Prices Index (CPI) inflation, it is expected to move above 3% by July and reach 3.2 to 3.3% in the autumn, maintaining the pressure on households.

Returning to Brexit, a transition agreement with talks on a free trade agreement under way, should stimulate investment, especially in sectors like the motor industry where it has been held back by Brexit uncertainty. As a result the EY Item Club medium-term forecasts have been revised upwards. April's GDP growth forecast of 1.5% for 2019 is raised to 1.8%, whilst expected growth rates of 1.8% for 2020 and 2021 have moved up to 2.0% and 2.2% respectively.

2018-19 local government settlement: consultation

During September and October 2017 DCLG embarked on a consultation process for the 2018-19 finance settlement, which will be the third year of the multi-year settlement that was accepted by 97% of local authorities. The main themes of the consultation were:

- **Business rate retention** – the 100% retention of business rate income scheme was piloted by five regions in 2017/18. Central government is committed to giving local government greater control over the money they raise and so they have invited interested local authorities to apply to participate in a new wave of pilot schemes for 2018/19. The Spring Budget 2017 announced that authorities in London were working with Government to explore piloting the scheme for 2018/19. However, independent research commissioned by the County



Council Network has identified that 100% business rate retention could actually increase the funding gap for county authorities by £700mn by 2029. The analysis indicated that there would be a divergence between future business rate growth and demographic cost pressures.

- ▶ **New homes bonus** – since its inception the New Home Bonus has allocated £6bn to local authorities to encourage the building of over 1.2mn new homes. As part of the 2017/18 financial settlement Government reduced the number of years for legacy payments from six to four starting in 2018/19, and also set a national baseline for housing growth to incentivise local authorities to build more new homes. The national baseline (below which no bonus will be paid) was set at 0.4% for 2017/18, which is significantly below average past growth rates. The 2018/19 baseline is yet to be confirmed; however, will be calculated based on additional housing stock as reported through council tax base figures.
- ▶ **Council tax referendum principles** – government is considering whether to retain the core principle that increasing council tax demands by greater than 2% would require a local referendum. In addition, Government is considering whether this 2% core principle should also apply to Mayoral Combined Authorities.
- ▶ Continuation of the Adult Social Care Precept principle of a 2% increase, with the additional flexibility in 2018/19 to increase this precept by an additional 1% to 3%, provided that the total increase between 2017/18 and 2019/20 does not exceed 6%.

Planning fees

A government white paper published in February 2017 set out plans to allow local authorities to increase planning permission fees by up to 20% from July 2017; however, this increase has not

been implemented and it is unclear whether it will in the future. This has put £1bn of potential future funding up to 2022 at risk according to the Local Government Association (LGA).

The LGA has estimated that the average council receives 486,500 planning applications per year with council tax funds being used to fund approximately one third of applications. Planning permission fees are set nationally so that applicants have certainty of cost throughout the country. Often individual householder applications will result in an overall loss for councils due to the small size of the application and corresponding fee, the cost of which is picked up by the taxpayer.

Adult social care

The DCLG 2017/18 Budget indicated that total local authority expenditure on adult social care is expected to rise by 8.6% in 2017/18 from £14.4bn to £15.6bn. Government has assisted local authorities to finance this increased expenditure through both the £2bn of extra funding for adult social care announced back in Spring 2017, of which £1bn will be available for 2017/18, and the adult social care precept first introduced in 2015/16 at a rate of up to 2%.

Given the increasing aging population throughout the UK there are still concerns that even this increased funding is not sufficiently sustainable to meet the future demand for adult social care services. A study published in the Lancet has found that the demand for high dependency adult care places is expected to increase by 86% by 2035, therefore the long term sustainable funding of adult social is critical. A green paper from Government is expected to be published shortly that will discuss the options for shaping the future of social care, including how it will be funded.





Accounting, auditing and governance

Commercialisation: local authority owned companies

Over 60% of local authorities currently own at least one trading company and this figure is expected to increase significantly by 2020 as councils seek efficiencies and innovations to generate extra income to bridge future funding gaps. Therefore, irrespective of type or purpose of newly established trading companies, governance and the interface between the local authority and their owned companies is critical to the commercial success of the trading enterprise.

Mike Birch, the CEO of a £300mn turnover wholly owned local authority company, said at CIPFA's annual conference that "the presence of too many members on executive boards could hamper the agility that a small and focused board needed to efficiently deliver services in a commercial environment ... You cannot run a business by committee; it has to have a degree of focus and agility."

Having too many members on the Board of a council owned company may not be in the best interests of either the company or the council. Therefore when establishing (or reviewing) the governance arrangements of council owned companies it is important that the appropriate framework is put in place to operate effectively for both entities. There are many complex issues that require careful consideration, for example, minimisation of conflicts of interest for key individuals of both entities and the balance of sufficient oversight by the council whilst not hindering the operations of the trading company.

EY think piece: 2017/18 early accounts closure

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. The new timetable for preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of audited accounts by 31 July. These reporting deadline changes will provide a challenge for both preparers and auditors of local authority financial statements.

The EY Think Piece on 'Accelerating your financial close arrangements' has identified several areas of consideration that may assist in the achievement of the challenging accelerated deadlines. These include:

- ▶ **Revisit the current closure timetable.** The robustness of project timetables and the management of bottlenecks in the closure process will be critical to achieve the new deadline.
- ▶ **Format of your accounts.** Are there superfluous notes in the financial statements that could be streamlined or removed on the basis of materiality? Discuss with auditors what would be considered material.
- ▶ **Review year-end journal process.** Do year end journals actually have to be done at year end? Could journals be made throughout the year, and then adjusted at year end for material changes.
- ▶ **Manage Members' Expectations.** A 31 July audit deadline will mean rescheduling your Audit Committee (or equivalent body who perform the duties of 'those charged with governance') before the deadline.



Key questions for the Audit Committee

How is the impact of Brexit being factored into the authorities MTFP projections?

Has your local authority considered the impact of the proposed financial settlement for 2018/19?

How has the uncertainty around future charges for planning applications affected your council?

How does your council ensure that it has a sustainable financial plan for the increasing demand for adult social care?

What assurance do you have that your council's owned trading companies have effective governance arrangements in place?

What actions has your local authority taken to ensure that it is best placed to achieve the financial accounts early closure timetable of 31 July 2018?

Find out more

EY Item Club forecast

<http://www.ey.com/uk/en/issues/business-environment/financial-markets-and-economy/item---forecast-headlines-and-projections>

2018-19 local government financial settlement: consultation

<https://www.gov.uk/government/consultations/local-government-finance-settlement-2018-to-2019-technical-consultation>

Planning fees

<http://www.publicfinance.co.uk/news/2017/08/governments-failed-planning-fees-promise-leaves-councils-ps1bn-bill>

Adult social care

<http://www.cipfa.org/cipfa-thinks/cipfa-thinks-articles/the-road-ahead-for-managing-social-care>

Commercialisation: local authority owned companies

<http://www.publicfinance.co.uk/news/2017/07/local-authority-run-companies-should-avoid-too-many-council-board-members>

EY Think Piece: 2017/18 early accounts closure

[http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/\\$FILE/EY-accelerating-your-financial-close-arrangements.pdf](http://www.ey.com/Publication/vwLUAssets/EY_-_Accelerating_your_financial_close_arrangements/$FILE/EY-accelerating-your-financial-close-arrangements.pdf)

EY client resources and information

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Audit Committee

Item No.....

Report title:	Internal Audit Strategy, Approach, Strategic Plan 2018-2021 and Internal Audit Plan for first half of year 2018-19
Date of meeting:	23 January 2018
Responsible Chief Officer:	Executive Director, Finance and Commercial Services
Strategic impact The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference , part 12, which is part of the Council's Constitution Article 6, at page 5. The Audit Committee should, 'Consider annually the effectiveness of the system of internal audit including internal audit's strategy, plan and performance and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice'.	

Executive summary

Norfolk Audit Services fulfils the internal audit function for the Council as required by its own Terms of Reference and the relevant regulations, which are considered annually by the Committee. Internal Audit's work is planned to support the County Council Strategy and [Norfolk Futures](#) (P&R report, pg. 16) and the new administrations set of priorities based around "Caring for our County":

- Local service strategy
- A new deal for children and families in crisis
- Promoting independence for vulnerable adults
- Smarter information and advice
- Towards a Norfolk housing strategy
- Digital Norfolk
- Commercialisation

The Internal Audit Strategic Planning:

- Supports the new administrations priorities which will be incorporated into the [county plan](#) (to be agreed and published in near future)
- Complements the Council's Medium Term Financial Plan 2017-20 as published in the [Council's Budget Book](#)
- Complements Corporate Risk Management work as the plan is aligned to the corporate risks and departmental risks

This report sets out the:

- Requirements (Section 2.1)
- Internal Audit Budget 2018-19 (Section 2.4)
- Internal Audit Strategy 2018-21 (Section 2.9)
- Internal Audit Approach 2018-19 (Section 2.11)
- Strategic Audit Planning 2018- 21 (Section 2.14)
- 2018-19 Internal Audit Plan (Section 2.16)

Recommendation:

The Audit Committee is recommended to consider:

- That internal audit's strategy and plan, contribute to an effective system of internal audit and risk management and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards (2016) and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice
- The strategy and plan being the; Internal Audit Strategy 2018-21 (**Appendix A**), the Approach 2018-19 (**Appendix B**), the Three Year Strategic Audit Planned Days to support the Audit Opinion (**Appendix C**), the Summary Internal Audit Plan for the first half of the year 2018-19 for work supporting the Internal Audit Strategy (**Appendix D**) and the Detailed Internal Audit Plan for the first half of the year 2018-19 (**Appendix E**) and mapping of Corporate Risks to the plan (**Appendix F**).

1. Proposal (or options)

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

2. Evidence

2.1 The Requirements

The top six risk priorities of Norfolk Audit Services activity remain as:

- That sound financial management, resilience and governance are in place, that there is compliance and where exceptions occur they are identified and treated in a timely manner. This risk is expanded to include where services may not ensure value for money
- That commissioning, procurement and contract management are well governed and achieve value for money
- That other key NCC management systems and corporate processes are fit for purpose
- The risks associated with transformational change in the organisation are managed. That change objectives (organisational and financial) are

met and internal controls and savings are maintained during and after that change

- Anti-Fraud and Corruption work, particularly prevention and detection work (per Fighting Fraud Locally Strategy and the CIPFA Code)
- That assets, physical and information, are secured and controlled effectively, including data quality.

2.2 During 2018-19 and going forward Internal Audit should be:

- Supporting the Council's [priorities](#) and [county plan](#) and Ways of Working with a very strong internal audit function that is able to operate in a much wider and strategic way, assisting the organisation by helping it put in place a more efficient and effective control, performance and governance environment
- Delivering audits to provide appropriate assurance to the Council that its overall governance arrangements remain effective
- Working on progressing and reporting the resolution of Corporate High Priority Internal Audit Findings
- Delivering the anti-fraud and corruption strategy within the Council, including exploring traded services opportunities
- Delivering the risk management strategy within the Council, including exploring traded services opportunities
- Implementing the France Channel England Audit Authority
- Strengthening the traded schools service; and
- Continuing to review the delivery model to allow flexibility, resilience and development of any potential collaboration or contracting opportunities that may arise

2.3 The Public Sector Internal Audit Standards (2016) and the Local Authority Guidance Note of 2013 set out the requirement for expected professional standards for internal audit in local government and the requirement for a risk based internal audit plan.

The Internal Audit Budget 2018-19

2.4 The overall planned internal audit days (audit opinion work) for the Council for 2018-19 (including contractor days) are 743 days. This is slightly higher than the 2017-18 revised days of 706, reported in September 2017 (see **Appendix D**). The detailed audit plan for 2018-19 will be presented as two half year plans with a split of 350 and 393 audit opinion days respectively.

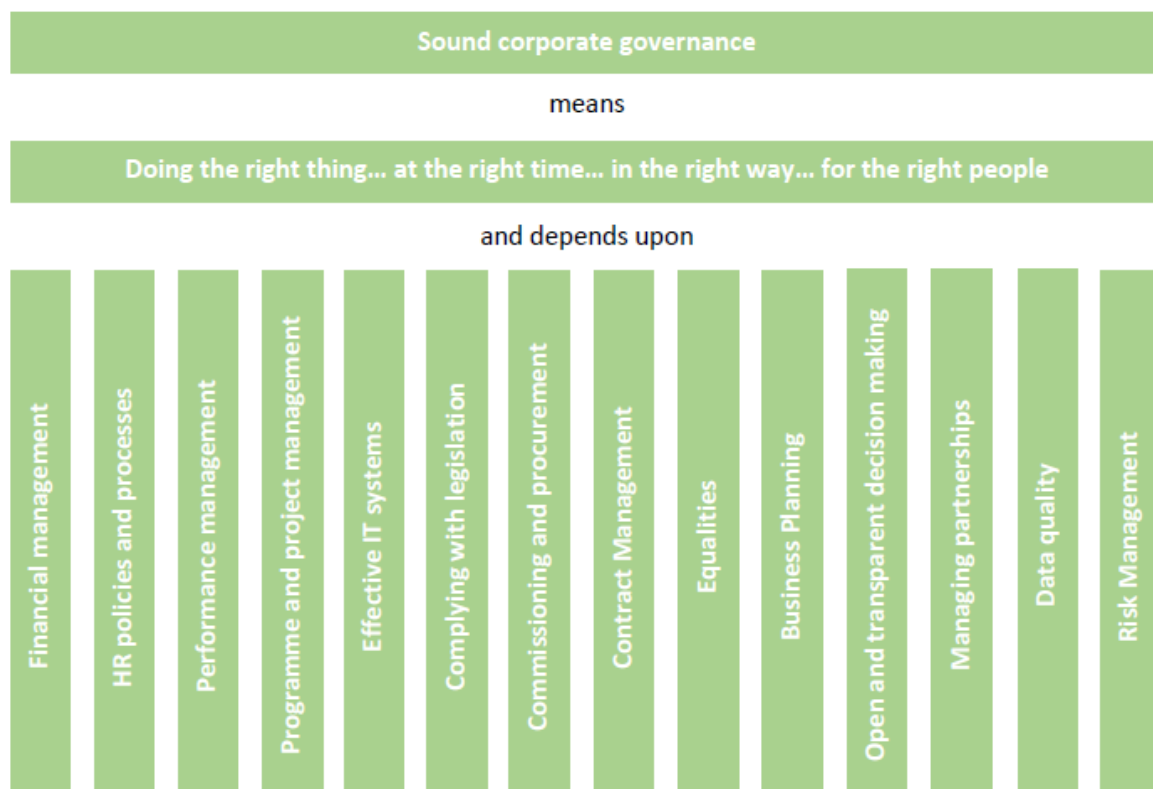
2.5 Throughout the budget reduction process of recent years, an adequate and effective internal audit function has been maintained, as per the requirements of the Accounts and Audit Regulations 2015 and providing the necessary assurance to Members and the external auditors.

- 2.6 It is the current assessment that the review of all internal processes has delivered all the anticipated reductions in audit days. The generation of additional income through commercialisation may further reduce the net costs in the internal audit budget.
- 2.7 The net budget for internal audit remains at £520k for 2018-19. Projected income for 2017-18 is £103,388
- 2.8 The budget plan reflects the resource requirement for the internal audit team which includes resources for:
- delivery of the internal audit strategy including the audit opinion work
 - the European Union Audit Authority for the France-Chanel-England (FCE) programme where the cost of the additional resource will be offset by EC income
 - the delivery of the risk management function
 - the delivery of the Anti-fraud activity including prevention, detection and investigation
 - Managing the Council's Whistleblowing policy

The Internal Audit Strategy 2018-21

- 2.9 Internal Audit's strategy and planning provides assurance on risk management, internal control and governance which support the Council in achieving its corporate priorities. Internal audit contributes to this by providing independent assurance over the Council's high risk areas, corporate priorities, change programmes and key corporate processes.

Key Corporate Processes



The audit strategy aligns our work and audit coverage with the key corporate processes, corporate priorities and corporate risks (above). The proposed detailed 2018-19 audit plan includes coverage of the above key corporate processes (Appendix E).

Attached as **Appendix A** is the proposed Internal Audit Strategy 2018-19. This Strategy includes a stronger and clearer approach to how Internal Audit will support the delivery of the Council's corporate priorities. The strategy provides greater clarification of roles, responsibilities and processes, together with how internal audit assess and report on audit outcomes and what measures are in place to hold responsible officers to account to make improvements where required.

The Internal Audit Approach 2018-19

2.10 The Internal Audit Approach translates the strategy (2.13) into planned work. The audit days to support the strategy (excludes external clients) for 2018-19 of 1,216 days (949 revised days for 2017-18) (see 2.4) is considered sufficient to support an opinion on the Council's control environment, taking into account the Council's risk management, performance management and other assurance procedures.

2.11 The approach is set out in **Appendix B**. That document explains how and why the function operates describing:

- Regulatory Requirements
- Financial and Organisational Changes
- Approach to the Audit Plan 2018-19
- Scoping for 2018-19
- Conclusions

The Strategic Audit Planning 2018-21

2.12 The Strategic Plan Days for 2018-21 (**Appendix C**) to deliver the work to support the audit opinion has been devised following a risk based approach using the following.

- concerns from Members
- concerns from the County Leadership Team
- the Council's corporate [priorities](#), (page A6)
- the County plan,
- the Corporate Risk Register,
- departmental Risk Registers,
- engagement with senior officers,
- review of the External Audit and Inspections reports,
- a review of corporate strategies,
- cumulative audit knowledge and experience,
- engagement with other Heads of Audit and
- Professional judgement on the risk of fraud and error.

2.13 The Strategic Plan is designed to inform this process for providing relevant assurance opinions on systems either in place or developing and providing

directional assessments regarding actions required to implement any of the necessary improvements. The days proposed for supporting the Annual Audit Opinion in 2018-19 are 743 (706 for revised 2017-18, shown in Figure 2 below. The audit opinion work is shown in two halves of the year, i.e. as two six monthly plans. The plan for the first half of the year exceeds the calculated available audit resource of 350 days (oversubscribed by 118 days) but audits will be undertaken on a risk based prioritisation as described in the plan below.

Figure2. Audit Days - Key Numbers for first half of 2017-18

Source:	First half of 2018-19 days	Full year 2018-19 days	Revised 2017-18 days
Audit Team Delivery to NCC Total (Appendix D)	591	1216	969
Audit Team Delivery allocation for audit opinion (Appendix D)	350	743	709
% of NCC delivery to support audit opinion	61%*	63%*	73%

*It should be noted that for 2018-19, 335 days of the strategy are shown to directly support the delivery of the risk management strategy and the anti-fraud and corruption strategy (full year) rather than audit opinion days, which is why the percentage of NCC delivery to support the audit opinion is reduced.

The Internal Audit Plan for 2018-19

- 2.14 The authority's own audit days available for 2018-19 are calculated at 743 days (706 revised 2017-18) which is considered sufficient to allow the Chief Internal Auditor to form an opinion on the authorities control environment, taking into account the authorities' risk management, performance management and other assurance procedures. It should be noted that the audit days for 2018-19 are in line with the revised audit days for 2017-18 (September committee) indicating that the days are stable for 2017-18 and 2018-19 in line with no change in the net budget.
- 2.15 Using the above sources of information, the Annual Internal Audit Plan for 2018-19 (**Appendix E**) has been drafted to balance the following:
- the requirement to give an independent, objective and evidence based opinion on all aspects of governance, risk management and internal control.
 - the requirement for External Audit to place reliance on internal audits of the key financial systems for their annual opinion on the financial statements,
 - identified control and governance issues,
 - Complementary sources of assurance are considered as part of the Audit needs planning and are recognised in the Council's Annual Governance Statement. Where reliance is to be placed on other sources

of assurance the quality and standards of the work are assessed to ensure they meet the required standard

- the requirement to inform and support the production of the Annual Governance Statement for the Council,
- best practice is that Internal Audit adds value through improving controls and streamlining processes. The work should have a balance of breadth and depth of scope
- the allocation of time required for responding to queries on control issues,
- the allocation of time to deliver the risk management strategy and the anti-fraud and corruption strategy
- the resource and skill mix available to undertake the work.

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

2.17 As a result of these on-going changes the audit plan has been developed as two half yearly plans. The first half of the year is detailed in Appendix E and has been consulted with, and agreed with Executive Directors and Senior Officers. The second half of the year detailed plan will be presented to Committee in September 2018. The assigning of the plan into two halves will help to ensure that each half is current, relevant and reflects the changing environment and will ease the administration necessary when adjustments to the plan need to be made. County Leadership Team, senior managers and Members will all have a role to play in determining the audit plan for each half of the year. Regular scheduled meetings will continue to take place to discuss service developments, any emerging risks identified as a result of this and any requirements for the second half of the years audit plan, or indeed any changes that may be necessary to the first half of the year. This will keep the audit plan current and relevant addressing the areas of highest risk.

2.18 The first half of the year (1 April to 30 September 2018) Internal Audit Plan for 2017-18 is presented at **Appendix E** and is prepared in accordance with the relevant standards, the requirements, our proposed budget, our strategy, approach and strategic planning.

2.19 The proposed audit plan includes 25 new audit opinion topics. As the audit plan is oversubscribed by 118 days for the first half of the year it is expected that 7 identified audits will be given priority in quarter 3, the second half of the audit year, leaving 18 new topics for the first half. The prioritisation of topics will be managed on a risk assessed basis. The target for final report and draft reports for audits as at 31 September (end of first half of year) are 6 of each (with 6 audits being work in progress at 31 September). It is expected to achieve 100% of these targets

- 2.20 The proposed first half of the year plan includes a target of 10 traded school audits, with the second half of the year target being 15 (total 25), which is an increase in the 13 that we have delivered to date for 2017-18, but falls short of the 2017-18 target of 32. This reduction is deemed realistic given the current climate schools are facing and the continued Government programme of schools academisation. We are currently developing a new fraud focussed traded school offering which will sit alongside our current governance and financial management offering
- 2.21 The proposed first half of the year audit plan includes a target to complete 80% of carried forward audits during the first half of 2018-19, with the remaining 20% being completed in the second half.
- 2.22 The proposed audit plan for the first half of the year includes 69 days for Information Management Technology (IMT) audit coverage. These days are for non-technical audits and will be delivered by the in house team. Audit planning with the Head of IMT did not identify any technical audits for the first half of the year. During 2018-19 we will look to appoint a new contractor to provide specialist technical IMT audits, which will be commissioned on a call off arrangement to allow greater flexibility.

3. Financial Implications

- 3.1. The expenditure falls within the parameters of the Annual Budget agreed by the Council. Internal Audit's work provides assurance on the systems and internal controls that manage £1.405bn of Gross Revenue expenditure, £145m Capital programme and £977mm of Assets.
- 3.2. The three year costing for internal audit remains unchanged, subject to any savings that the Committee may agree in year, no further savings are proposed for 2018-19. The overall resourcing levels remain unchanged. We will actively maintain traded services and pursue new opportunities when they arise.
- 3.3. There is a contribution to the fixed costs from the France Channel England Programme Technical Assistance. All costs incurred in delivering the audit authority function are recovered from the European Commission, such that the resources can be back filled, where necessary.

4. Issues, risks and innovation

4.1. Issues

Our audit planning is aligned to the new Council structure approved by Council on [20 October 2014](#) . and the Council's [priorities](#) (page A6) The priorities for the Service Departments, for Resources and Finance are set

out clearly in those reports and inform our own planning to support those priorities and objectives.

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

4.2. Risk implications

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

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

The Internal Audit Plan complements the Councils Corporate Risk Register. **Appendix F** maps the corporate risks to the proposed 2018-19 internal audit plan. The correlation of the audit topics to the corporate risks is described in the Charts 1 and 2 below.

Chart 1: Sources of Assurance on Corporate Risks 2018-19

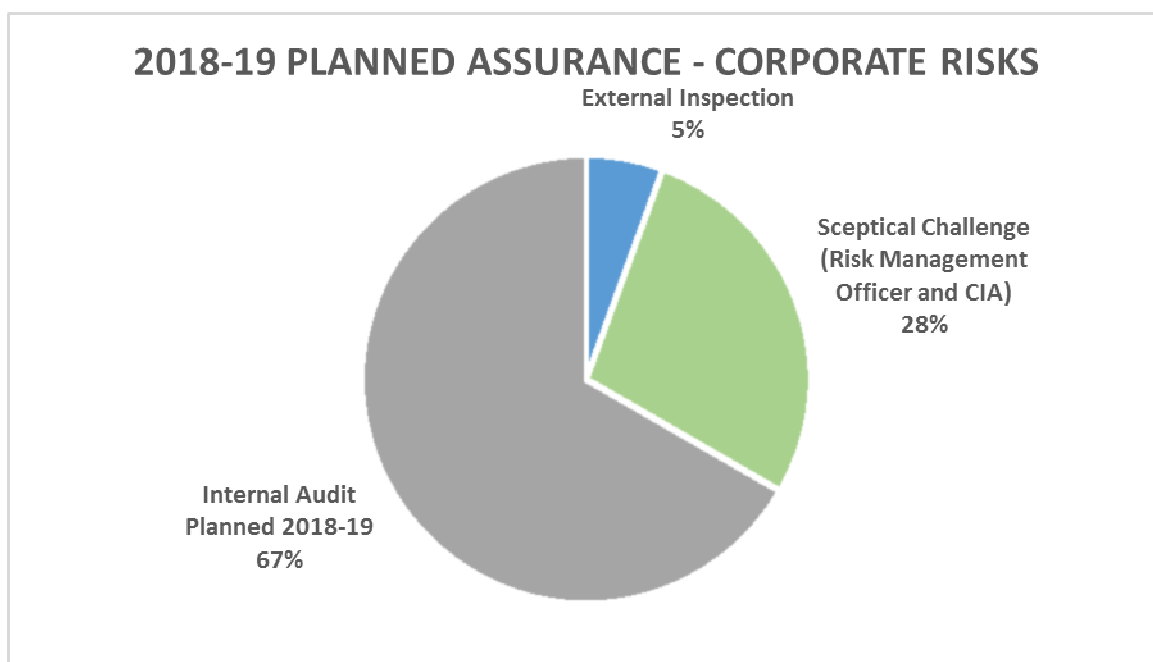
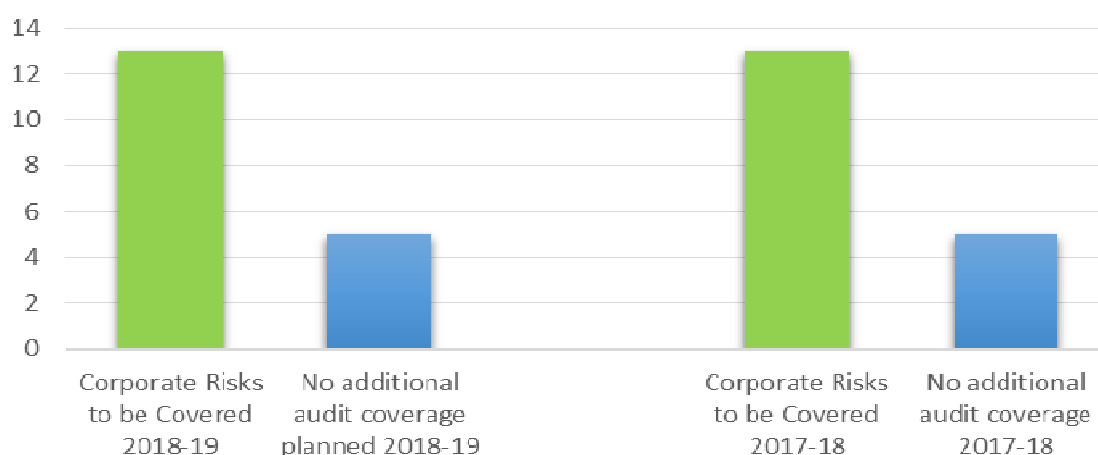


Chart 2: Sources of Assurance on Corporate Risks 2017-2019

2017-18 & 2018-19 DELIVERED AND PLANNED ASSURANCE - CORPORATE RISKS



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

4.3. Resource Implications

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

4.4. Legal Implications

Internal audit work should fulfil the requirement for an internal audit function as described in the Accounts and Audit Regulations 2015.

4.5. There are no implications with respect to:

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

4.6. Innovation

The Internal Audit Planning seeks to apply innovative practices, methodology, partnering and resourcing where possible, ensuring that relevant standards are maintained and that value for money is demonstrated.

Examples of such innovation include how we resource the audit plan through the in-house team, use of agency staff and contracting BDO to provide resilience and flexibility in audit delivery. We have this past year

also commission Grant Thornton to undertake complex contract management audit work and will continue to use such a model in the future.

5. Background

- 5.1 The Council is required under the Accounts and Audit Regulations (England) 2015 to make provision for internal audit in accordance with “proper practices in relation to internal control”. CIPFA, in collaboration with the Chartered Institute of Internal Auditors (CIIA) have produced the UK Public Sector Internal Audit Standards (the Standards) which came into force on 1 April 2013 and were revised on 1 April 2016. CIPFA, in collaboration with the CIIA, also published in April 2013 the Local Authority Guidance Note (LAGN) for the Standards which remain current.
- 5.2 Under section 17 of the Crime and Disorder Act (1998), the Council has a statutory general duty to take account of the crime and disorder implications of all its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.
- 5.3 Internal Audit helps this by aiming to deter crime, to increase the likelihood of detection through making crime difficult, to increase the risk of detection and prosecution and to reduce the rewards from crime.
- 5.4 Internal Audit’s planning has been designed in order to cover higher risk areas, including where weaknesses in controls might increase the risk of theft, fraud or corruption. An action plan is agreed for any weaknesses that are identified during audits, including any which might increase the risk of theft, fraud or corruption. Consideration has been given to the present economic conditions and the Anti-Fraud and Corruption plan and resources are considered adequate.

6. Background papers

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

Officer Contact

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

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

Officer Name: Adrian Thompson - Chief Internal Auditor

Tel No: 01603 222784

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



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INTERNAL AUDIT STRATEGY 2018-21

The mission of Internal Audit is to, 'enhance and protect organisational value by providing risk-based and objective assurance, advice and insight'.

[Public Sector Internal Audit Standards 2017]

This strategy sets out how Internal Audit's mission and core principles* will be achieved over the medium term in the context of further challenges which local government is facing. As part of the Council's continuing development, four leadership themes have been identified and these have been incorporated into this strategy, as underlined below. The Chief Internal Auditor is responsible for turning the Internal Audit's Strategy into action.

The elements of the strategy cover:

- Strategy into action and accountability (Paragraphs 1.1 – 1.6)
- Fulfilling our Terms of Reference for Risk Based Internal Auditing (2.1 – 2.2)
- Commerciality and Business Like for Delivery of Work (3.1 – 3.3)
- Code of Ethics (4)
- Raising our profile (5)
- Data Analytics and evidence based to Add Value (6)
- Collaboration and Influencing through Managing resources (7)
- Services to meet the strategy (8)

The Internal Audit Strategy was last approved at the January 2017 Audit Committee meeting.

*These are new areas in the PSIAS 2016

1. Strategy into action and accountability

1.1 As part of the Finance and Commercial Services Department, Internal Audit will ensure:

- the financial management, risk management and governance arrangements of the Council are adequate and effective
- the organisation works efficiently and effectively to develop and deliver services that represent good value for money, deliver the Council's priorities for Norfolk Futures and improves outcomes for Norfolk people
- Compliance with relevant Public Sector Internal Audit Standards.

1.2 Internal Audit delivery and reporting should be:

- Outcome focussed ensuring the Council is better off
 - Linked to corporate priorities
 - Focussed on business critical services and processes
 - Identifying areas where failure places the organisation in jeopardy
 - Linked to financial and performance metrics
 - Responding to the key risks of the Council
- 1.3 There needs to be a consistent and shared understanding of internal control and responsibilities. What are the internal controls, who is responsible for them, what are they actively doing to manage them and what measures are in place to hold people to account.
- 1.4 Corporately the new County Plan will provide council-wide priorities, and these are being developed into some clear outcomes and measures by officers and members. The Council has a lot of data, performance information and risk information that will enable it to manage performance and help define future service delivery. Internal Audit contributes to further developing a culture that means we can have open and challenging performance conversations throughout the organisation – so that people are more aware of our priorities and targets and their responsibilities for delivering them
- 1.5 Internal to the team the key strategic priorities are:
- Complementary management of the Internal Audit, Risk Management, Anti-Fraud & Corruption and Whistleblowing functions
 - Recruitment and retention of appropriately qualified and experienced auditors
 - Continuing to meet the requirements if the CIPFA Public Sector Internal Audit Standards
- 1.6 The success of this will be evidenced by:
- Delivery of the outcomes that Internal Audit are aiming to improve
 - Clear objectives that describe what needs to be done and what success looks like
 - Clear accountability, with established and effective escalation of problems
 - A balanced set of performance indicators that measure the right things
 - Joined up information – so we know where the key risks are, what assurances are already in place and can be relied upon, and how much work internal audit need to deliver to provide an annual audit opinion and what it will cost
 - Clear reporting – so Members, staff and stakeholders are clear on how we are doing
 - An improved performance management culture, awareness, challenge and wider perception and understanding of performance

5 Fulfilling our Terms of Reference for Risk Based Internal Auditing.

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

5.3 Our risk based internal auditing approach is aligned to the Corporate Risk Register and demonstrates the correlation of audit topics in the proposed audit plan to the corporate risk register. This includes sources of planned assurance, whether via Internal Audit, the Risk Management Officer or External Inspection (Chart 1 and 2).

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

6 Commerciality and Business Like for Delivery of Work

3.1 We aim to deliver the right work, of the right quality, to the right people at the right time and for the right price, which maximises appropriate revenue potential.

3.2 We support and promote the Council's corporate priorities, whilst considering changes resulting from the Council's journey of improving efficiency and modernisation and radically re-shaping its capacity while taking out costs.

Our success is measured through:

- Feedback that our audits add value
- Growth in the delivery of traded audits.

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

- We aim to create and communicate high quality information about the effective operation of management's controls over risks.
- Our annual audit planning ensures the key areas required by UK PSIAS and the key areas requiring assurance and coverage within the Annual Governance Statement are included and these are matched to our resources in consultation with the Executive Director of Finance and

Commercial Services, Executive Directors and Members before approval by the Audit Committee.

- We aim to increase the take up of our traded audit services offering to schools, both maintained and academies. Our strategy continues to be to reduce the number of funded audits to schools, allowing our reduced audit resource to be directed elsewhere, but to provide assurances to schools and Children's Services through the growth of our traded work.
- We aim to offer new traded services to schools and other authorities in the areas of Risk Management and Anti-Fraud and Corruption and Investigations
- Changes to the approved Internal Audit Plan are also agreed as above and notified to the Audit Committee throughout the year.
- We use our combined experience and knowledge to provide helpful and practical insight and recommendations. We are a catalyst for improving the Council's effectiveness and efficiency based on analysis and assessments of data and business processes.
- Audit work is reviewed to ensure that it is sound, meaning, evidenced based, independent, technically compliant, risk based, timely, and can demonstrate how services are better off through having an audit. We deliver all our services in compliance with the UKPSIAS. We employ quality controls, quality monitoring and quality reviews of our work. Our Internal Audit Terms of Reference, Code of Ethics and this Strategy meets the UKPSIAS.
- We identify audit resources (staff or contractors) with the appropriate skills to deliver the audit service, which meets required professional standards. We are committed to integrity, accountability and high customer care standards. This can involve the use of internal and/or external resources.
- All members of the team above the Senior Auditor level are professionally qualified. All Auditors and Senior Auditors are required to be Association of Accounting Technicians (AAT) or part IIA or CAAB qualified. We provide assistance with training and continuing professional development appropriately for all members of the team.
- We are responding to the ongoing difficulties faced in recruiting the 'right mix of experienced and qualified staff' by developing a 'mixed economy' resource delivery approach that enables us greater resilience and flexibility, especially for unplanned responsive work. The mixed economy consists of experienced in-house staff and call off arrangements with approved Contractors and temporary staff.
- The Authority and the audit team subscribe to professional support forums.
- The Chief Internal Auditor is a member of the County Chief Internal Auditor Network (CCAN), the Home Counties Chief Internal Auditor Group

(HCCIAG) and the Norfolk Chief Internal Auditor Group in order to utilise the peer support that these groups provide.

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

Our success is measured through meeting the Standards and the delivery of the agreed audits from the annual Internal Audit Plan within planned resources as reported in the Chief Internal Auditor's Annual Internal Audit Report and in quarterly updates to the Audit Committee

4. Code of Ethics.

- 4.1 We will actively promote professional values, manage threats and report on compliance with the standard. Our Internal Code has been approved by the Audit Committee.

Our success is measured through the Chief Internal Auditor's Annual Internal Audit Report.

5. Raising our profile.

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

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

Our success is measured through the feedback both formally and informally and requests for schools traded services, additional or ad hoc

audit work and advice from our “auditees”, the Executive Director of Finance and Commercial Services, Chief Officers and the Audit Committee.

6 Data Analytics and evidence based to Add Value

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

Our work

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

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

7. Collaboration and Influencing through Managing resources

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

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

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

8. Services to meet the strategy

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

Service	Particular Audit strategy for delivery/Measures of Success
Reporting to the Audit Committee, quarterly and annually.	Production and delivery of reports to a professional standard. Attendance at all meetings by the appropriate officers.
Facilitation of the delivery of the Annual Governance Statements to the Audit Committee.	Manage the process for the delivery of the Annual Governance Statement in particular ensuring adequate and timely consultation with appropriate senior officers and members.
Provision of assurance to the Executive Director of Finance and Commercial Services, the Section 151 Officer, with respect to the systems of governance/internal control and risk management throughout the authority and the Joint Committees.	<p>Consider all aspects of governance, internal control and risk management throughout the authority or joint committee and arrive at a reasoned opinion.</p> <p>Consider all risks included in the Corporate Risk Register as part of the risk based internal audit approach.</p> <p>Demonstrate 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.</p> <p>Report this to the Executive Director of Finance and Commercial Services and the appropriate committees.</p>
Undertaking audit work to support	In each audit carried out:

<p>the opinion; this work produces draft and final reports which include recommendations for improvements in internal controls and an action plan. This work also includes a deterrence element generally and “managed audit work” for the External Auditor with respect to key systems.</p>	<p>Our audit findings are categorised into high, medium and low priority Action plans are agreed with management to mitigate risks for medium and high priority findings Any findings of low priority are reported on as discussion points within audit reports</p> <p>We assess the findings to form an overall opinion of ‘Acceptable’ or ‘Key issues that need to be addressed’.</p> <p>We assess the corporate significance of the audit</p>
<p>Provision of advice and assistance with respect to Internal Control to County Leadership Team (CLT) and other Senior Officers.</p>	<p>Our annual resource plan provide for general liaison with CLT and other Senior Officers particularly in the formulation of the audit plan. We provide advice on new systems and answers queries in respect of internal control.</p>
<p>Delivery of the Anti-Fraud and Corruption Strategy including preliminary assessments and investigations and managing the Council’s Whistleblowing Policy and Procedures.</p>	<p>We review, with the Chief Legal Officer, the Anti Fraud and Corruption Strategy on an annual basis and update it as necessary. The Strategy has been updated and was presented to the Audit Committee at the September 2017 meeting.</p> <p>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.</p> <p>We undertake preliminary assessments into whistleblowing disclosures and commission/undertake investigations and maintain the log of disclosures.</p>

Provision of the Risk Management Strategy including servicing of Committees in respect of risk management	Our Risk Management Officer proactively supports Directorates in identifying and managing their corporate and departmental risks
Provision of an Internal Audit Service to Schools.	The strategy for auditing schools from April 2012 has been agreed with the Audit Committee and is incorporated into the 2017-18 audit plan. Our proposals for marketing internal audit services to maintained schools and academies were included in a report to the January 2012 Audit Committee.
Provision to undertake investigations where requested to do so by Chief Officers or the Audit Committee Chairman.	To deliver professional and objective evidence based reports to assist with effective and efficient disciplinary or criminal proceedings. Our staffing strategy includes an investigative auditor role.
Provision of an Internal Audit Service to the Norfolk Pension Fund.	We provide an internal audit service to the Norfolk Pension Fund on a risk assessed basis. We provide these services on a full cost recovery basis which enables us to absorb the cost of some of our senior management and other overheads.
Provision of advice and assistance to the Eastern Inshore Fisheries and Conservation Authority.	Provision of advice and assistance with respect to the Annual Governance Statements and other internal control issues. We provide this service on a full cost recovery basis which enables us to absorb the cost of some of our senior management and other overheads.
Undertaking Grant Certification work particularly with respect to EU grants.	We provide this service on the required charges basis which enables us to absorb the cost of some of our senior management and other overheads.
Delivering the Audit Authority function for the France-Chanel-	This work supports the Council's operation of the Managing

England INTERREG 5a programme	Authority and Certifying Authority giving assurance on their controls and is externally funded.
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9. Reporting the success of the strategy

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

INTERNAL AUDIT STRATEGY - TECHNICAL NOTE:

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

- Assurance,
- Objectivity; and
- Insight.

The assurance is provided through three elements:

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

Our objectivity is provided by our:

- Integrity,
- Accountability; and
- Independence.

The insight we deliver is through our:

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

Nature of Work

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

- Governance

We are required to assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation
- Ensuring effective organisational performance management and accountability
- Communicating risk and control information to appropriate areas of the organisation; and
- Coordinating the activities of and communicating information among the board, external and internal auditors and management.

We are also required to:

- Evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities
- Assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.

- Risk Management

We are required to evaluate the effectiveness and contribute to the improvement of the risk management process. This includes an assessment that:

- Organisational objectives support and align with the organisation's priorities
- Significant risks are identified and assessed
- Appropriate risk responses are selected that aligns risks with the organisation's risk appetite, and
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

We are also required to evaluate risk exposures relating to the organisation's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives
- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations and programmes
- Safeguarding of assets
- Compliance with laws, regulations, policies, procedures and contracts.
- Potential for the occurrence of fraud and how the Council manages fraud risk

- Control

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

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

INTERNAL AUDIT APPROACH 2018-19

1 Background

- 1.1 The Approach set out in this appendix translates the Internal Audit Strategy 2018-21 (**Appendix A**) into the planned work and aligns budget and workforce planning, explaining how and why Internal Audit operates.
- 1.2 The UK Public Sector Internal Audit Standard (the Standard) came into force on 1st April 2013 and was refreshed in April 2016 and CIPFA's guidance the LAGN on the Standard was also published in April 2013. The latest version of the standard is March 2017 and we are compliant with this.

2 Regulatory Requirements

- 2.1 The Standard (1.2) requires that the 'Head of Internal Audit' for Norfolk, the Chief Internal Auditor, should prepare a risk based internal audit plan designed to implement an Internal Audit Strategy. The plan should 'take account of the adequacy and outcomes of the organisation's risk management, performance management and other assurance processes'. The Chief Internal Auditor has a duty to promote good governance, share best practices and review the internal controls within the authority.
- 2.2 CIPFA have published a statement on the 'Role of the Head of Internal Audit' and the Local Government version of that document includes; "the Chief Internal Auditor must lead and direct an internal audit service that is resourced to be fit for purpose". It goes on to say, "the resources available must be proportionate to the size, complexity and risk profile of the authority and must be enough for the Chief Internal Auditor to give a reliable opinion on the authority's control environment. Responsibility for ensuring that an effective and appropriately resourced internal audit service is in place rests with the authority". As Section 151 Officer, the Executive Director of Finance and Commercial Services has a duty to consider the adequacy of the internal audit coverage. The Executive Director of Finance and Commercial Services relationship with the Chief Internal Auditor is imperative in ensuring the value and quality of the systems within internal control.

3 Financial and organisational changes

- 3.1 The County Council agreed the 2017-18 Budget and Medium Term Financial Strategy (MTFS) to 2019-20 on 20 February 2017, with a gap for budget planning purposes of £35.015m. At the meeting of Policy and Resources Committee on 3 July 2017, Members confirmed a revised gap estimate of £100.000m for the period to 2021-22. In 2018-19 the budget-setting process is being closely aligned with development of the new

Council Strategy and associated strategic initiatives, Norfolk Forward and the new administrations set of priorities based around “Caring for our County”. There are still significant savings to be made within the Council. NAS continue to review the approach taken to Internal Audit work, the resources and our methodology to ensure ‘Better ways of Working’ are adopted to ensure adequate and effective audit coverage, albeit within a reduced internal audit resources.

The minimum coverage required for internal audit comprises both the ‘Managed Audit’ work, to support our external auditor, as well as the other internal work needed to comply with the Accounts and Audit (England) Regulations 2015 and to form an opinion with respect to the system of internal control, governance and risk management.

- 3.2 This annual plan, split into two half yearly plans will be flexible to cope with the inevitable changes that are required throughout the year. Allocating the plan into two halves will help ensure each half is current, relevant and reflects the changing environment. Any adjustments needing to be made to the plan will be reported to the Audit Committee in the quarterly reports with a formal review at the half year.

4 Approach to the Audit Plan for 2018-19

- 4.1 The internal Audit plan is designed to give sufficient coverage to form an overall audit opinion with respect to the systems of internal control, governance and risk management. The internal audit plan is aligned to the corporate risk register and the corporate priorities in that:

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

- 4.2 The key messages in this approach are:

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

- 4.3 The Annual Internal Audit plan is kept under review through regular assessment by the Chief Internal Auditor, including assessing

performance with delivery, and amended as appropriate to reflect changing priorities and emerging risks which are report to the Audit Committee.

5 Scoping for 2018-19

- 5.1 The total requirement for the full services we deliver, are presented in our Internal Audit Strategy 2018-21 (**Appendix A**). The Chairman and Vice Chairman of the Audit Committee will be consulted with respect to proposed changes during the year.
- 5.2 With our existing audit team, a mix of permanent and temporary staff, and reduced specialist contractor audit days, we propose that there should be 743 audit opinion days delivered days.
- 5.3 The audit plan will be based on an audit universe of both essential and desirable audits. These are risk assessed in consultation with Chief Officers. Essential audits will be defined as those with the highest risk and the detailed plan developed to match the resources available. It is expected that only audits deemed 'essential' will be included in the plan. The work to support the provision of the opinion to the Executive Director of Finance and Commercial Services contains:
 - Discretionary audits agreed with Executive Directors or County Leadership Team
 - Audit work supporting the external auditors
 - Traded Schools audit work; and
 - Specialist ICT and Health and Safety work, where relevant.
- 5.4 The audit work to support the external auditor's assurance is fixed in nature and timing. We are consulting our external auditor to confirm their requirements for assurance work from us.
- 5.5 We will continue to engage specialist auditors for complex and highly technical audits within our NAS budget. These are currently identified as ICT and Health and Safety. Regarding ICT, a mini competition exercise will be held appoint a new ICT technical auditor during 2018-19. Other experts will be procured as and when required.
- 5.6 Benchmarking is difficult in times where there are significant changes taking place. The audit resources are however still considered to be comparable and reasonable for the size of the authority. On an annual basis using CIPFA guidance, relevant data can be benchmarked against the "most similar authorities" within the UK to ensure the comparison is meaningful. Data benchmarked includes auditor qualifications, chargeable audit days and cost per auditor. The CIPFA questionnaire is completed after data is compiled and after a detailed analysis the department can assess how efficient and cost effective it is against other similar authorities.

- 5.7 We continue to develop customer care and as part of this we ensure that our quality control and assurance procedures are met and are reviewed and updated as necessary.
- 5.8 The Audit Committee promote the value and quality of the systems of internal audit and support the Executive Director of Finance and Commercial Services in maintaining appropriate resources and direction of the audit work. The Half Yearly report explains how this is achieved.
- 5.9 The proposed 2018-19 Internal Audit Plan is presented at **Appendix E**.

6 Conclusions

- 6.1 There are requirements for an adequate and effective internal audit function to meet statutory, best practice and aspirational requirements, including the external auditor's value for money opinion.
- 6.2 The Internal Audit Approach translates the strategy into planned work. The audit days to support the strategy for 2018-19, of 743 audit opinion days is considered sufficient to support an opinion on the Council's control environment, taking into account the Council's Risk Management, performance management and other assurance procedures.
- 6.3 We will continue to seek and promote greater value for money in our audit delivery while maintaining sufficient coverage and quality standards.
- 6.4 The Audit Committee have a key role in promoting the value and quality of the systems of internal audit and in supporting the Executive Director of Finance and Commercial Services in maintaining appropriate resources and direction of the audit work.

7 Resource Implications

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

Appendix C

Internal Audit 3 year planned days 2018-19 to 2020-21 - Supporting the Audit Opinion

Assurance Area	First half 2018-19 days	Total 2018-19 days	2019-20 days	2020-21 days	2018-19	
					Direct Services days	Support Services days
Total Communities & Environment (2)	42	131	120	120	131	
Total Adult Services (2)	35	80	100	100	80	
Total Children's Services (2)	60	95	100	100	95	
Total Strategy(Resources) (2)	12	34	150	150		34
Total Finance (3)	215	437	307	307		437
Completion of previous years audits completion of previous half years audits	100	100	75	75	75	25
Corporate High Priority Findings	4	6	6	6		6
Contingency	0	0	0	0		0
Total Audit Days (see Appendix E)	468	883	858	858	381	502
NB:- Available days per NAS resource model	350	768				
First half audit plan oversubscribed by (4)	118					

Note:

- 1) The allocation of days for 2019-20 and 2020-21 are indicative based on current resource and budget and current risk and previous spread across Directorates
- 2) The allocations are at service directorate high level only to allow flexibility of coverage within each directorate
- 3) The 2018-19 allocations between direct services and support services are consistent with 2017-18. It should be noted that audits within support services are frequently across the service directorates thus providing additional assurance within service directorates
- 4) The oversubscription will be managed on a risk assessed basis

Proposed Delivery of Internal Audit Strategy for 2018-19

Element of Strategy	Original total days proposed 2018-19	% of NCC plan (excludes external clients)	Proposed days Q1/Q2	Proposed days Q3/Q4	Revised total days 2017-18
Reporting to the Audit Committee quarterly and annually	50	4%	25	25	50
Facilitation of the delivery of the Annual Governance Statements to the Audit Committee and the Joint Committees	8	1%	8	0	8
Provision of assurance to the Executive Director of Finance and Commercial Services (Section 151 Officer) with respect to the systems of governance/internal control and risk management throughout the authority.	20	2%	10	10	25
Undertaking audit work to support the internal audit opinion (Appendix Bi)	743	63%	350	393	706
Provision of advice and assistance with respect to Internal Control to Executive Directors and other Senior Officers	60	5%	30	30	60
Delivery of the Anti Fraud and Corruption strategy , including preliminary assessments and investigations	176	14%	88	88	100
Delivery of the Risk Management Strategy including servicing of Committees in respect of risk management	159	13%	80	79	0
*Provision of chargeable Internal Audit Service to Schools	80		40	40	80
*Provision of an Internal Audit Service to Norfolk Pension Fund	80		40	40	80
*Provision of advice and assistance to the Eastern Sea Fisheries Joint Committee/EIFCA	6		6	0	6
*Undertaking Grant Certification work particularly with respect to EU grants (some days non chargeable)	170		85	85	196
*Delivering the Audit Authority Function to the FCE programme	385		193	192	175
Gross Total	1,937	100%	955	982	1,486
*Less Delivered to external Clients	721		364	357	537
Total to be Delivered to NCC (para 2.4)	1,216	100%	591	625	949

Available productive days as per resource model

1937

Proposed Internal Audit Plan for first half of 2018-19
Detailed work to support the audit opinion

Appendix E

Assurance Area and Audit topic	Audit Days	Brief description of the audit scope and purpose	Corporate Objective / risk	Q1 audit days	Q2 audit days	2nd Half of 2018-19 first call
Community and Environmental Services						
Environment, Development and Transport Committee						
Highways Infrastructure	15	Assurance that the agreed actions from the 2017 review of compliance with the Code of Practice for a well managed highways infrastructure are either fully implemented or robustly planned for	RM001 Commercialisation			15
DIY Waste - charging at recycling centres -	15	Assurance over the adequacy and effectiveness of key internal controls in respect of NCC receiving all monies due from DIY waste (proposed introduction April 2018)	RM002	15		
Norwich City Agency Agreement	15	Assurance that governance, contract monitoring and financial controls are operating efficiently and effectively	RM004 Commercialisation			15
External Funding - Museums, Environment and Arts	days inc. in Communities below	Assurance that funding conditions are being met	RM002 Commercialisation	days inc in Communities below		
Communities Committee						
Active Norfolk	12	Assurance that governance and financial controls are operating efficiently and effectively	RM002 Commercialisation	12		
Libraries open access	15	Assurance on stock controls and processes	Commercialisation			15
External Funding - Museums, Environment and Arts	12	Assurance that funding conditions are being met	RM002 Commercialisation			12
Fire and Rescue -Preparation for the National Inspection regime	15	Assurance over NF&R preparation of the HMIC visit - National Inspection regime		15		
Public Health - Road Safety Team	12	Assurance over governance and funding arrangements	Commercialisation			12
Norfolk Community Learning Services	15	Assurance over governance, income generation and budget management	Commercialisation			15
Customer Services CRM system	5	Follow up of action plan from independent review on the architecture of the system	Smarter Information and Advice			5
Total Community & Environment Services	131			42	0	89
Adult Social Services						
Business Support & Development						
No audits on a risk assessed basis						
Integrated Commissioning						
No audits on a risk assessed basis						
Early Help & Prevention						

Proposed Internal Audit Plan for first half of 2018-19
Detailed work to support the audit opinion

Appendix E

Assurance Area and Audit topic	Audit Days	Brief description of the audit scope and purpose	Corporate Objective / risk	Q1 audit days	Q2 audit days	2nd Half of 2018-19 first call
Transition of Children at age 18	15	Assurance that the transition process is efficient and effective	RM003 Promoting Independence for Vulnerable Adults			15
Adult Social Work and OT						
Strategy and Transformation						
Delayed transfer of Care	20	Assurance that the transfer process of patients is effective and efficient covering acute and mental health transfer, accuracy of data submitted to NHSE and the follow up process to confirm outcomes are appropriate	RM003, RM023 Promoting Independence for Vulnerable Adults	20		
Transforming Care Programme	15	Assurance on the discharge process and compliance with agreed protocols	RM003, RM023 Promoting Independence for Vulnerable Adults			15
Data Quality in LAS	15	Assurance that the new LAS system provides accurate data for forecasting financial commitments to enable accurate accounting for commitments	RM007, RM019 Promoting Independence for Vulnerable Adults			15
Adult Operations and Integration						
Client Financial Affairs Team (Appointeeship / Deputyship)	15	Assurance on key controls and processes supporting correct income and payments being made in line with standards and internal procedures. Includes best interest of the client	RM003 Promoting independence for Vulnerable Adults Commercialisation		15	
Total Adult Services	80			20	15	45
Children's Services						
Early Help and Prevention						
New Directions	15	Assurance over the governance arrangements for this service and that the service is delivering outcomes for its purpose	A new deal for Children and Families in Crisis Commercialisation			15
Performance and Challenge						
Performance Management of Commissioned Childrens Contracts	20	Assurance that the performance management system for commissioned childrens contracts is adequate and effective for performance monitoring	RM004 A new deal for Children and Families in Crisis Commercialisation	20		
Education						
Commissioning of education placements for Children with High Needs	20	Assurance that the systems and processes for commissioning education placements for children with high needs is efficient and effective	RM004 A new deal for Children and Families in Crisis Commercialisation		20	
Maintained Schools Thematic audit 1 - topic to be agreed	20	Assurance over the adequacy and effectiveness of key internal controls	A new deal for Children and Families in Crisis Commercialisation		20	
Maintained Schools Thematic audit 2 - topic to be agreed	20	Assurance over the adequacy and effectiveness of key internal controls	A new deal for Children and Families in Crisis Commercialisation			20

Proposed Internal Audit Plan for first half of 2018-19
Detailed work to support the audit opinion

Appendix E

Assurance Area and Audit topic	Audit Days	Brief description of the audit scope and purpose	Corporate Objective / risk	Q1 audit days	Q2 audit days	2nd Half of 2018-19 first call
Social Work No audits on a risk assessed basis						
Safeguarding and Looked After Children No audits on a risk assessed basis						
Total Children's Services	95			20	40	35
Strategy Intelligence and Analytics No audits on a risk assessed basis						
Communications No audits on a risk assessed basis						
Human Resources						
Appraisal process	12	Assurance that the new appraisal process is complied with and that key controls and processes are in place and working effectively	Commercialisation			12
Use of Volunteers	12	Assurance that the Volunteer policy (P329) is being implemented as expected and key controls and processes are in place and working effectively.	Commercialisation	12		
No audits on a risk assessed basis						
Strategy and Delivery Unit No audits on a risk assessed basis						
Democratic Services No audits on a risk assessed basis						
AGS Self Certification Process	days in strategy	Co-ordination of control self assessments by each service directorate.	RM013 All NCC objectives	days in strategy		
Health & Safety						
Topic to be agreed and delivered by an external specialist	10	Assurance over the adequacy and effectiveness of key controls				10
Total Strategy	34			12	0	22
Finance						
Audit of material financial systems	3	Assurance on the material financial system	RM013 External audit work	3		
Norfolk Safety CIC subsidiary	6	AGS assurance work on subsidiary	RM013 Supporting the AGS work	6		
Pre-payment cards	15	Assurance that key controls and processes are working effectively and efficiently in issuing of and monitoring of prepayment cards	Promoting Independence for Vulnerable adults	15		
Payroll – Cyclical payment, deductions and variations.	15	Cyclical audit - assurance on key controls being in place for payroll payments, deductions and variances to pay	Commercialisation			15

Proposed Internal Audit Plan for first half of 2018-19
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Appendix E

Assurance Area and Audit topic	Audit Days	Brief description of the audit scope and purpose	Corporate Objective / risk	Q1 audit days	Q2 audit days	2nd Half of 2018-19 first call
Payroll - Authorisation of travel/overtime claims	10	Assurance that appropriate authorised staff are signing travel and overtime claims and that budget holders are aware of the expenditure against their cost centre	Commercialisation			10
Accounts Payable	15	Assurance that key controls and processes in place within adult social care system (ContrOCC, Liquid Logic) are working effectively and efficiently to ensure correct payments are being calculated and made	RM019 Commercialisation		15	
Teachers Pension return	13	Required annually by external auditor	Commercialisation		13	
Commercialisation Traded Services (Educator Solutions)	15	Assurance that key controls and processes in place are working effectively and efficiently to ensure services ordered are delivered, invoiced and income collected	RM002 Commercialisation			15
Accounting for VAT (NCC and Partnerships)	10	Assurance that key controls and processes are working effectively and efficiently (to include charging for VAT)	Commercialisation			10
Apprenticeship Levy	10	Assurance that key controls and processes are in place to meet the requirements and maximise utilisation of the apprenticeships levy	Commercialisation		10	
Management of agency staff and compliance with policy and procedure	15	Assurance that key controls and processes are in place and are working effectively				15
Developer Contributions (Section 106 and CIL payments)	10	Assurance that key controls and processes are in place and working effectively	RM002 Commercialisation			10
Anti-Fraud Audit - topic 1	15	Supports the anti-fraud and corruption strategy	Commercialisation		15	
Anti-Fraud Audit - topic 2	15	Supports the anti-fraud and corruption strategy	Commercialisation			15
Corporate Property Team						
Energy Management Strategy	15	Assurance that Premises Managers are aware of the Strategy and understand what they need to maintain in order to have clear accountability on how buildings use energy	RM021 Commercialisation	15		
Carbon Reduction Commitment	7	Ensure compliance with The Gov.uk Environmental Management Guidance - annual certification of compliance	RM003, RM021 Commercialisation	7		

Proposed Internal Audit Plan for first half of 2018-19
Detailed work to support the audit opinion

Appendix E

Assurance Area and Audit topic	Audit Days	Brief description of the audit scope and purpose	Corporate Objective / risk	Q1 audit days	Q2 audit days	2nd Half of 2018-19 first call
County Farms - Lettings process and follow up of agreed actions from previous audit	15	Assurance that key controls within the new agreed lettings process are working adequately and effectively and that agreed actions from the previous audit have been fully implemented or adequately planned for	RM002, RM021 Commercialisation			15
Income collection for use of buildings and premises.	15	Assurance that key processes and controls supporting income generation and maximisation are working adequately and effectively	RM002, RM021 Commercialisation			15
Data Quality within C2 and Piranha systems	15	Assurance that processes and controls are adequate and effective in supporting good data quality (Property - duty of care)	RM007, RM021 Smarter Information and Advice		15	
Procurement						
Replacement Iproc (source to payment)	15	Watching brief and guidance on project implementation. Potential audit in Q3/Q4	Digital Norfolk Commercialisation	5	5	5
Procurement Cards	10	Assurance that key controls and processes are working adequately and effectively	Digital Norfolk Commercialisation		10	
Contract Management and Monitoring (Cyclical audits of top 20 contracts) Contract 1 - to be determined	12	Assurance that key controls and processes are working adequately and effectively	RM004 Commercialisation		12	
Contract Management and Monitoring (Cyclical audits of top 20 contracts)	10	Assurance that key controls and processes are working effectively and	RM004 Commercialisation			10
Information Management Technology						
Data Quality - cyclical audits of data quality of key systems and spreadsheets on information asset registers (2 to 3 each year)	20	Assurance that key controls and processes are working efficiently and effectively in respect of data quality	RM003, RM007 Commercialisation			20
ICT Business Continuity	15	Assurance over the adequacy and effectiveness of key controls (includes a follow up of the 2015-16 audit)	RM010, RM016 Digital Norfolk			15
Software Asset Management	12	Assurance over the adequacy and effectiveness of key controls (includes a follow up of the 2015-16 management letter / agreed actions)	Digital Norfolk Smarter information and Advice		12	
ICT Asset Disposals	12	Assurance over the adequacy and effectiveness of key controls and processes (part of the technology and improvement programme)	Digital Norfolk Commercialisation	12		
ICT Access rights (including sailpoint)	15	Assurance over the adequacy and effectiveness of key controls for joiners, movers and leavers	Digital Norfolk			15
Local Full Fibre Network Programme (new monies bid for, will need to be internally audited against grant determination)	20	Assurance against the funding requirements	RM003 Digital Norfolk		10	10

Proposed Internal Audit Plan for first half of 2018-19
Detailed work to support the audit opinion

Appendix E

Assurance Area and Audit topic	Audit Days	Brief description of the audit scope and purpose	Corporate Objective / risk	Q1 audit days	Q2 audit days	2nd Half of 2018-19 first call
Liquid Logic	20	Assurance on processes and embedding of system controls around data quality to include retention, disposal, archiving and monitoring of data quality	RM007, RM019 Digital Norfolk			20
Post GDPR compliance	15	Assurance that new GDPR requirements are being met	RM003 Digital Norfolk Smarter Information and Advice		8	7
Awareness of Information Management policies, procedures , roles and responsibilities - follow up audit	10	Assurance that the agreed actions from the 2017-18 audits have been fully implemented	RM003	10		
Information Security	15	Assurance that the agreed actions from the 2017-18 audits have been fully implemented	RM003		15	
IMT Contingency (BOX-IT, watching briefs)	2	Assurance that systems and controls are operating effectively	RM007 Digital Norfolk Commercialisation	2		
Total Finance	457		457	75	140	242
Total Days to be delivered to NCC	797			169	195	433
Completion of 2017-18 Audits	100			80	20	0
HPF follow up	6			2	2	2
Contingency	0					
Total days to support the audit opinion Q1 / Q2	468			251	217	435
Days available for opinion work	350					
Q1 and Q2 audit plan over/under subscribed by	-118					

The oversubscription will be managed during the first six months and into the second half of the year

Mapping of Corporate Risks to 2018-19 Audit Plan (see charts 1 and 2)					Appendix F		
Risk Update		December 2017		Met			
Area	Risk Number	Risk Name	Risk Description	Prospects of meeting Target Risk Score by Target Date	Means of Assurance for 2018-19 Internal Audit Plan	2018-19 Planned Audit Days	2017-18 Planned Audit Coverage (as reported to Audit Committee January 2017)
Community and Environmental Services	RM001	Infrastructure is not delivered at the required rate to support existing needs and the planned growth of Norfolk	<p>1) Not securing sufficient funding to deliver all the required infrastructure for existing needs and planned growth leading to:</p> <ul style="list-style-type: none"> • congestion, delay and unreliable journey times on the transport network • a lack of the essential facilities that create sustainable communities e.g. good public transport, walking and cycling routes, open space and green infrastructure. <p>2) Not meeting the funding profiles (e.g. Local Growth Fund) and losing the funding.</p>	Amber	The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk. In addition an audit is planned in the second half of the year to provide assurance over the code of practice - highways infrastructure	15	Risk Management Officer. No additional audit coverage planned. The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk
Finance and Commercial Services	RM002	The potential risk of failure to manage significant reductions in local and national income streams	<p>This may arise from global or local economic circumstances (i.e. Brexit), government policy on public sector budgets and funding. As a result there is a risk that the Medium Term Financial Strategy savings required for 2017/18-2019/20 are not delivered because of uncertainty as to the scale of savings resulting in significant budget overspends, unsustainable drawing on reserves, and severe emergency savings measures needing to be taken.</p> <p>The financial implications are set out in the Council's Budget Book, available on the Council's website.</p>	Amber	Internal Audits planned to provide assurance over the adequacy and effectiveness financial controls in respect of income streams: - Commercialisation Traded Services, Active Norfolk, External funding - Museums, Environment and Arts, Norfolk Community Learning Services, Developer Contributions, Corporate Property Income, County Farms lettings process, DIY Waste - charging at recycling centres	112	Internal Audit - completion of a 2016-17 audit of budget and financial controls for demand led budgets Children's Services and Adult Social Services

Area	Risk Number	Risk Name	Risk Description	Prospects of meeting Target Risk Score by Target Date	Means of Assurance for 2018-19 Internal Audit Plan	2018-19 Planned Audit Days	2017-18 Planned Audit Coverage (as reported to Audit Committee January 2017)
Finance and Commercial Services	RM003	Potential reputational and financial risk to NCC caused by failure to comply with statutory and/(or) national/local codes of practice.	There is a risk of failing to comply with statutory and/(or) national/local codes of practices in relation to Information Compliance. This could lead to significant reputational and financial risk for NCC.	Amber	Internal Audits planned to provide assurance in respect statutory and (or) national/local codes of practice: Post General Data Protection Regulation, Data Quality audits (key systems on Information Asset Register x 2), Awareness of information Management Policies and Information Security - follow up audits	35	Internal Audit - Two planned audits for 2017-18 under Information Management. In addition a planned audit to provide assurance over the embedding of new processes and procedures in relation to Information Management following the ICO visit and outcome
Finance and Commercial Services	RM004	The potential risk of failure to deliver effective and robust contract management for commissioned services.	<p>Ineffective contract management leads to wasted expenditure, poor quality, unanticipated supplier default or contractual or legal disputes</p> <p>The council spends some £600m on contracted goods and services each year.</p>	Amber	Internal Audits planned to provide assurance over commissioned services: Norwich City Agency Agreement, Commissioning of placements for high needs children, Contract management and monitoring - 2 cyclical audits of top contracts	57	Internal Audit. Audit planned to provide assurance that an agreed corporate approach to contract monitoring of significant contracts is now in place and is operating effectively. This will include sceptical review and challenge of the mitigating actions and latest progress update to ensure that risk RM004 is adequately reported and supported by relevant, reliable, accurate, timely and robust evidence

Area	Risk Number	Risk Name	Risk Description	Prospects of meeting Target Risk Score by Target Date	Means of Assurance for 2018-19 Internal Audit Plan	2018-19 Planned Audit Days	2017-18 Planned Audit Coverage (as reported to Audit Committee January 2017)
Strategy - Managing Director's Department	RM006	The potential risk of failure to effectively plan how the Council will deliver services over the next 3 years commencing 2018/19 - 2021.	The failure in strategic planning meaning the Council lacks clear direction for resource use and either over-spends, requiring the need for reactive savings during the life of the plan, or spends limited resources unwisely, to the detriment of local communities.	Met	Risk Management Officer. No additional audit coverage planned. The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk		Risk Management Officer. No additional audit coverage planned as risk ranked 'green'. The 2016-17 audit plan included coverage of budget planning and monitoring (Q4) and quality of data in respect the performance management system (Q4). The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk.
Finance and Commercial Services	RM007	Potential risk of organisational failure due to data quality issues.	Failure to manage the data quality will prevent us from ensuring that data relating to key Council priorities is robust and valid. This places the Council at risk of making decisions using data that is not always as robust as it should be. This may lead to poor or ineffective commissioning, flawed decision making and increased vulnerability of clients, service users and staff.	Amber	Internal Audit assurance in respect of data quality: Post GDPR audit, Data Quality audits (key systems on Information Asset Register x 2), Data Quality within C2 and Piranha systems, Data Quality Liquid Logic	72	Internal Audit and Risk Management Officer. An audit of the implementation and embedding of the Information Management Strategy (mitigating action 1) is included in the 2016-17 audit plan (Q4). The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk.

Area	Risk Number	Risk Name	Risk Description	Prospects of meeting Target Risk Score by Target Date	Means of Assurance for 2018-19 Internal Audit Plan	2018-19 Planned Audit Days	2017-18 Planned Audit Coverage (as reported to Audit Committee January 2017)
Finance and Commercial Services	RM010	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.	Loss of core / key ICT systems, communications or utilities for a significant period - as a result of loss of power, physical failure, fire or flood, supplier failure or cyber attack - would result in a failure to deliver IT based services leading to disruption to critical service delivery, a loss of reputation, and additional costs. Overall risk treatment: reduce.	Amber	Internal audit planned to provide assurance on ICT Business Continuity	15	Internal Audit. Audit of Cyber Security arrangements to be undertaken 2016-17 audit plan (Q4). The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk

Area	Risk Number	Risk Name	Risk Description	Prospects of meeting Target Risk Score by Target Date	Means of Assurance for 2018-19 Internal Audit Plan	2018-19 Planned Audit Days	2017-18 Planned Audit Coverage (as reported to Audit Committee January 2017)
County Leadership Team	RM011	The potential risk of failure to implement and adhere to an effective and robust performance management framework.	The failure of leadership to adhere to robust corporate performance practice / guidance, resulting in organisational / service performance issues not being identified and addressed. This could have a detrimental impact on future improvement plans and overall performance and reputation of the Council.	Amber	Internal audit assurance has been planned in respect of quality of performance management data (CHS), and the corporate appraisal system	20	Audits of performance management and appraisals included in 2017-18 audit plan. These cover mitigating tasks 1 and 2

Area	Risk Number	Risk Name	Risk Description	Prospects of meeting Target Risk Score by Target Date	Means of Assurance for 2018-19 Internal Audit Plan	2018-19 Planned Audit Days	2017-18 Planned Audit Coverage (as reported to Audit Committee January 2017)
County Leadership Team	RM013	<p>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.</p> <p>The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions.</p>	<p>The failure of governance leading to controlled entities:</p> <p>Non Compliance with relevant laws (Companies Act or other)</p> <p>Incurring Significant Losses or losing asset value</p> <p>Taking reputational damage from service failures</p> <p>Being mis-aligned with the goals of the Council</p> <p>The financial implications are described in the Council's Annual Statement of Accounts 2015-16, from page 13, covering Group Accounts available on the Council's website at http://bit.ly/2f0MLP3.</p>	Met	Internal audit assurance planned to support the Annual Governance Statement process, the audit of material financial systems and the audit of controlled entities	20	Internal Audit. Audits included in the 2017-18 audit plan to support the AGS and the self assurance statements for each of the controlled entities

Area	Risk Number	Risk Name	Risk Description	Prospects of meeting Target Risk Score by Target Date	Means of Assurance for 2018-19 Internal Audit Plan	2018-19 Planned Audit Days	2017-18 Planned Audit Coverage (as reported to Audit Committee January 2017)
Children's Services	RM014a	The amount spent on home to school transport at significant variance to predicted best estimates	<p>There is a risk that the amount spent on home to school transport is at significant variance (overspend) to predicted best estimates.</p> <p>Cause: Home to school transport being a demand led service.</p> <p>Event: The amount spent on home to school transport is at significant variance with the predicted best estimates.</p> <p>Effect: Significant overspend on home to school transport than has been estimated for.</p> <p>Rising transport costs, the nature of the demand-led service (particularly for students with special needs) and the complexities involved in sustaining reductions in the need for transport or the distance travelled could result in a continued overspend on the home to school transport budgets and costs not being reduced by the required amount.</p>	Amber	Risk Management Officer. No additional audit coverage planned. The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk		An audit of home to school transport is included in the 2017-18 audit plan. This will include sceptical review and challenge of the mitigating actions and latest progress update to ensure that risk RM014a is adequately reported and supported by relevant, reliable, accurate, timely and robust evidence

Area	Risk Number	Risk Name	Risk Description	Prospects of meeting Target Risk Score by Target Date	Means of Assurance for 2018-19 Internal Audit Plan	2018-19 Planned Audit Days	2017-18 Planned Audit Coverage (as reported to Audit Committee January 2017)
Adult's Services	RM014b	The savings to be made on Adult Social Services transport are not achieved.	The risk that the budgeted savings of £1.7m to be delivered by 31 March 2020 will not be achieved.	Green	Risk Management Officer. No additional audit coverage planned. The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk		An audit of Adult Social Services transport is included in the 2017-18 audit plan. This will include sceptical review and challenge of the mitigating actions and latest progress update to ensure that risk RM014b is adequately reported and supported by relevant, reliable, accurate, timely and robust evidence
CLT	RM016	Failure to adequately embed Business Continuity into the organisation.	To ensure disruption is minimised and ensure that we are able to maintain services and respond appropriately to a either a Major or Moderate disruption both within and out of core office hours (N.B. this risk will be scored differently for different departments due to different levels of preparedness).	Green	Internal audit assurance planned in respect of ICT Business Continuity	15	Risk Management Officer. Business continuity covered in the 2016-17 audit plan (completed 2017-18). No additional audit coverage planned as 'green' RAG rated. The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk

Area	Risk Number	Risk Name	Risk Description	Prospects of meeting Target Risk Score by Target Date	Means of Assurance for 2018-19 Internal Audit Plan	2018-19 Planned Audit Days	2017-18 Planned Audit Coverage (as reported to Audit Committee January 2017)
Planning and Economy - Strategic Infrastructure	RM017	Failure to construct and deliver the Norwich Northern Distributor Route (NDR) within agreed budget (£205m)	There is a risk that the NDR will not be constructed and delivered within the revised budget. Cause: environmental and/or contractor factors affecting construction progress. Event: The NDR is completed at a cost greater than the agreed revised budget. Effect: Failure to construct and deliver the NDR within the revised budget would result in the further shortfall having to be met from other budgets. This will impact on other NCC programmes.	Amber	Risk Management Officer. No additional audit coverage planned. The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk		Internal Audit and Risk Monitoring Officer. A contract monitoring audit planned in respect of mitigating actions 4 and 5 to provide assurance that mitigating actions have been implemented and that costs are adequately managed, monitored and reported on. In addition an audit of the scheme of delegation (NDR) is
Children's Services	RM018	Potential failure to move out of intervention.	CS Teams do not show the required levels of improved performance at the speed which is acceptable to DfE and Ofsted.	Green	External Inspection. No coverage in the 2017-18 Internal Audit plan. Reliance based on the DfE and Ofsted External Inspection, monitoring and reporting regimes		External Inspection. No coverage in the 2017-18 Internal Audit plan. Reliance based on the DfE and Ofsted External Inspection, monitoring and reporting regimes

Area	Risk Number	Risk Name	Risk Description	Prospects of meeting Target Risk Score by Target Date	Means of Assurance for 2018-19 Internal Audit Plan	2018-19 Planned Audit Days	2017-18 Planned Audit Coverage (as reported to Audit Committee January 2017)
Adult Services (Lead Director) Shared Re-procurement of social care system for Adults, Children's and Finance Departments -	RM019	Failure to deliver a new fit for purpose social care system on time and to budget.	A new Social Care system is critical to the delivery and efficiency of Adults and Children's Social Services. This is a complex project and the risk is the ability to deliver on time along with the restriction on making any system changes to the existing system (Carefirst)	Green	Internal audit assurance planned in respect of data quality in LAS, financial payments processes and reporting	50	Internal Audit. Audit of data migration controls replacement Carefirst system 2017-18. In addition sceptical challenge work is planned by the Risk Management Officer and Chief Internal Auditor of the mitigating actions and planned activities to deliver the project as per the most recent Social Care Replacement System report
Finance and Commercial Services	RM021	Failure of Estate Management	There is a risk that the Council does not have a clear policy around estate management, is not acting in line with the expectations of a landlord, and does not have sound tenancy agreements in place.	Amber	Internal audit assurance planned in respect of the Corporate Property team: energy management strategy, County farms lettings process and follow up, property income Income, data quality within C2 and Piranha	60	Internal Audit. A follow up audit was undertaken as part of the 2016-17 audit plan (Q3). A further follow up was planned for 2017-18 (postponed to 2018-19)

Area	Risk Number	Risk Name	Risk Description	Prospects of meeting Target Risk Score by Target Date	Means of Assurance for 2018-19 Internal Audit Plan	2018-19 Planned Audit Days	2017-18 Planned Audit Coverage (as reported to Audit Committee January 2017)
County Leadership Team	RM022	Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union, which may impact on Council objectives, financial resilience and affected staff ('Brexit').	<p>There are important implications to the Council in four main areas:</p> <p>1) The Council's EU funded programmes supporting the local economy.</p> <p>2) The legal base – there are many EU laws that affect the day job of local councils.</p> <p>3) Council services dependent on a migrant workforce – for example nationally, 7% of existing adult social care staff come from other EU nations</p> <p>4) Place-based impact – there will be real and varied impacts and opportunities in our local economy.</p> <p>There is a risk that initially, implications for Norfolk County Council of the UK leaving the EU are not known or understood, causing uncertainty in Council business, planning, and service delivery.</p> <p>Uncertainty on both performance delivery and designation of the Council as Managing Authority following the EU referendum result could lead to an inability to draw down the funding required to manage the programme and have a significant reputation impact on the Council leading to an inability to submit payment claims to the EU.</p> <p>Cause: The EU Referendum held in June 2016, with the UK as a whole voting to leave the EU.</p>	Amber	Risk Management Officer. No additional audit coverage planned. The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk		Risk Management Officer. No additional audit coverage planned. The Risk Management Officer and Chief Internal Auditor to provide sceptical challenge of the mitigating actions and progress to date in respect of this risk
Adults Services	RM023	Failure to understand and act upon changes to demography, funding, and government policy, with particular regard to Adults Services.	<p>There is a risk of failure to fully understand and act upon changes to demography, funding, and government policy.</p> <p>Cause: Changes to demography, funding, and government policy.</p> <p>Event: The Council fails to plan and adapt to change effectively for the future.</p> <p>Effect: Outcomes for Norfolk citizens may worsen.</p>	Amber	Internal audit assurance planned in respect of delayed transfers of care and Transforming Care Programme,	35	New risk since 2017-18 reporting

Audit Committee

Item No.

Report title:	Counter Fraud, Bribery and Corruption Audit Committee Progress Report
Date of meeting:	23 January 2018
Responsible Chief Officer:	Chief Legal Officer.
Strategic impact It is the role of the Audit Committee to have oversight of the anti-fraud and corruption arrangements of the Council including the strategy, policies and any associated guidance. The Audit Committee also reviews, considers, approves and monitors the strategy and considers the adequacy and effectiveness of the arrangements for anti-fraud, bribery and corruption.	

Executive summary

The Norfolk Audit Service (NAS) Anti-Fraud, Bribery and Corruption Strategy and Activity Plan 2017-2018 was approved by the Audit Committee on 21 September 2017.

Appendix A of this report provides an update in respect of the counter fraud activity undertaken by NAS during the reporting period 1 July 2017 – 31 December 2017.

Recommendations:

Committee Members are asked to:

- Note the content of the Anti-Fraud, Bribery and Corruption Audit Committee Progress Report (appendix A)

1. Introduction

Anti-Fraud, Bribery and Corruption Progress Report

1.1. See Appendix A

Officer Contact

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

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

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

Support : Andrew Reeve **Tel No. :** 01603 222746

Email address : andrew.reeve@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.



Anti-Fraud, Bribery and Corruption

APPENDIX A

**NAS Anti-Fraud, Bribery
and Corruption Audit
Committee Progress Report**

Date

23 January 2017

1. Introduction

The Norfolk Audit Service (NAS) Anti-Fraud, Bribery and Corruption Activity Plan 2017-2018 was approved by the Audit Committee on 21 September 2017. This report provides an update in respect of the counter fraud activity undertaken by NAS during the reporting period 1 July 2017 – 31 December 2017.

1.1 Headline Information

Since appointing an Investigative Auditor to the team, in June 2017, there has been a marked strengthening in the policy, procedures, approach and activity for the Anti-Fraud, Bribery and Corruption work. The Investigative Auditor has applied his experience and skills to move forward and conclude a significant number of complex investigations within agreed timeframes, with excellent feedback from the client services.

The adoption of the refreshed policy, strategy and activity plan were a key milestone and the Investigative Auditor has pressed on with a range of activities set out in the plan and described in this report.

1.2 Proactive Work Summary

The table below provides a summary of eighteen separate activities that have been completed during the reporting period.

	Activity	Link to NCC Anti-Fraud, Bribery and Corruption Strategy.
1.	<p>The Investigative Auditor (IA) attended the Inside Government Conference - Preventing and Tackling Fraud Across the Public Sector.</p> <p>The Conference was led by Professor of Criminology Martin Gill and included the following areas:</p> <ul style="list-style-type: none"> • Tackling Fraud through data analytics, effective technology and partnership. • Making partnership work and understanding what partners want to achieve. • Creating effective fraud fighting teams. • Making finding fraud a good news story. • Recovering Proceeds of Crime. • Fighting Fraud and Corruption Locally 2016 – 2019 <p>Attendance at the conference provided insight into the latest Local Government strategies and assisted in the development of the Council's local Anti-Fraud, Bribery and</p>	<p>Criteria 5: Counter fraud staff keep up to date with relevant legislation.</p> <p>Criteria 7: Counter fraud staff partake in continued professional development (CPD)</p>

	Activity	Link to NCC Anti-Fraud, Bribery and Corruption Strategy.
	Corruption policies and activity plan (see below).	
2.	<p>The Councils five Anti-Fraud Policies and Anti-Fraud Strategy have been updated and approved by the Policy and Resources Committee on 30 October 2017.</p> <p>In 2016, The Chartered Institute for Public Finance and Accountancy (CIPFA) produced the document 'Fighting Fraud and Corruption Locally - The local government counter fraud and corruption strategy (2016 – 2019).</p> <p>The rationale for the updated format of the strategy is to complement the national strategy, provide a framework that can be measured (via assessment) on an annual basis, and highlight areas of weakness as well as good practice.</p> <p>Furthermore a single Anti-Fraud, Bribery and Corruption policy has been developed to codify the arrangements that were in place at the Council.</p> <p>The revisions to the previous policies included:</p> <ul style="list-style-type: none"> • A single policy for all those associated with the council to be aware of • Clear definitions for Fraud and Bribery Offences • Clear reporting lines to ensure that allegations of fraud, bribery and corruption can be reported freely and without fear of repercussion. • Strengthening the councils position on the Bribery Act 2010 • Strengthen the deterrent effect of the policy • A response plan • Defined roles and responsibilities • Codified sanctions and redress. <p>In addition to the Policy and strategy an annual activity plan has been developed and agreed to direct the proactive counter fraud work undertaken.</p> <p>The policy, strategy and activity plan will be reviewed annually and updated when required to include the latest information and best practice.</p>	<p>Criteria 9: The Counter Fraud, Bribery and Corruption Policy is reviewed and updated annually to ensure it is up to date with current legislation and industry best practice.</p>

	Activity	Link to NCC Anti-Fraud, Bribery and Corruption Strategy.
3.	<p>In June 2017 The Chartered Institute of Public Finance and Accountancy (CIPFA) launched the third Counter Fraud and Corruption tracker (CFaCT). The Council took part in the survey and NAS provided fraud data collected over the previous 12 months.</p> <p>The results of the national survey were released by CIPFA in October 2017 and revealed the following:</p> <ul style="list-style-type: none"> • Across local authorities more than 75,000 frauds have been detected or prevented in 2016/17 with a total value of £336.2m. • Procurement, adult social care and council tax single person discount are perceived as the three greatest fraud risk areas. • Adult social care fraud has shown the largest growth in the past year, with an estimated £5.6m investigated compared with £3.0m in 2016 <p>The outcomes of the survey will inform future counter fraud activity and the IA is liaising with the Executive Director of Adult Services in respect of the identified risk.</p> <p>A full copy of the report has been provided at Appendix B for the information of the Audit Committee.</p>	<p>Criteria 14 (Benchmarking): There is a system of monitoring, follow up and review in place relating to new and emerging fraud, bribery and corruption risks. Where identified, warnings are issued to relevant departments so that prevention measures can be implemented.</p>
4.	<p>In October 2017 CIPFA made a presentation to the Council's Digital Innovation and Efficiency Committee relating to the potential for a Norfolk Counter Fraud Hub.</p> <p>It was proposed that the county and district councils form a group and share data to identify potential financial crime using technology provided by BAE Systems.</p> <p>The potential frauds that the technology is currently able to identify is as follows:</p> <ul style="list-style-type: none"> • Council Tax Reduction Scheme (CTRS) Fraud • Housing Tenancy Fraud • Business Rates Fraud <p>As result of the presentation the committee approved for the Head of IMT to research the potential for the group and</p>	<p>Criteria 21: Research and development activities are undertaken periodically to assess and implement measures for detecting fraud, bribery and corruption through the use of technology across NCC's service lines.</p>

	Activity	Link to NCC Anti-Fraud, Bribery and Corruption Strategy.
	<p>develop a business case for the scheme and assess the likely costs/potential savings through recovery.</p> <p>Further updates in respect of the initiative will be provided as the matter progresses.</p>	
5.	<p>In 2016/2017 DWP fraud teams worked with District Council fraud teams to pilot a scheme for the data sharing and joint investigation of the following fraud risks:</p> <ul style="list-style-type: none"> • CTRS Fraud • Housing Tenancy Fraud • Social Security Benefit. <p>Following a request from the Minister for Local Government and the Parliamentary Undersecretary of State (DWP), the Council has expressed an interest in the joint counter fraud initiative with the DWP local fraud investigators.</p> <p>In doing so the Council may be able to work closer with neighbouring Councils in sharing data and; to assist with identifying and investigating allegations of fraud in the wider community.</p>	<p>Collaboration: Working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.</p>
6.	<p>The IA has met/liased with the following departments/personnel throughout NCC to discuss fraud, bribery and corruption issues during the period:</p> <ul style="list-style-type: none"> • Educator Solutions (ES) HR Business Partners. • Lead HR Business Partner. • Advice and Consultancy Manager. • ES Finance & Business Services Manager. • NP Law Solicitor (Employment Law) • Head of Localities (North, Broadland and East) • Head of Procurement. • Accountants – Children’s Services • Client Services Exchequer Manager • Finance Team Manager • Safeguarding Adults Board Manager/Business Lead • Quality Assurance Manager <p>The purpose of these meetings was to enhance NCC’s counter fraud culture, promote the reporting lines for raising</p>	<p>Criteria 6: Robust communication arrangements are in place between staff who undertake counter fraud, bribery and corruption related activities and other key departments and traded services within NCC</p>

	Activity	Link to NCC Anti-Fraud, Bribery and Corruption Strategy.
	concerns, identify areas for counter fraud activity and assess potential investigations.	
7.	<p>The IA has presented a fraud awareness training session to staff within the Compliments and Complaints Team in the Managing Director's Department.</p> <p>The training provided up to date information on the Fraud Act and Bribery Act and the Councils position in regard to reporting and investigating allegations of fraud.</p> <p>The purpose of these sessions is to promote collaboration and to enable the corporate message for the approach to tackling fraud to be explained and embedded.</p> <p>As a direct result of this session a fraud referral was received and is currently being assessed for potential investigation, thus demonstrating the effectiveness of the activity.</p>	<p>Criteria 6: Robust communication arrangements are in place between Counter Fraud staff and other key departments and traded services within NCC.</p> <p>Criteria 13: All staff within NCC are provided with knowledge (proportionate to their role) of what constitutes fraud, the fraud risks that are prevalent, and how to report concerns.</p>
8.	<p>The IA has presented a fraud and Bribery awareness training session to Head Teachers as part of Norfolk Schools Finance Training.</p> <p>A total of 14 head teachers were present at the session where information and advice was provided relating to school specific fraud and bribery risks.</p> <p>The below are examples of the feedback received following the session:</p> <p><i>What were the most effective aspects of the training session for you?</i></p> <ul style="list-style-type: none"> • <i>"Fraud session in terms of the 'what ifs' that could happen...very worrying local/national picture"</i> • <i>"fraud session also very interesting"</i> • <i>"overall picture and guest speaker"</i> • <i>"the fraud/bribery session was very informative"</i> • <i>"The talk by the IA about Fraud was interesting"</i> 	<p>Criteria 8: Multiple platforms are utilised to ensure NCC's commitment to tackling Fraud, Bribery and Corruption is commutated effectively including: face to face meetings and presentations at events,</p> <p>Criteria 15: There are proportionate processes in place for the prevention, detection and deterrence of</p>

	Activity	Link to NCC Anti-Fraud, Bribery and Corruption Strategy.
	<p><i>What follow up actions will you take as a result of this training?</i></p> <ul style="list-style-type: none"> • “fraud and bribery policy – update” <p>As a result of the positive feedback received, further sessions have been planned in 2018.</p>	<p>fraudulent activity throughout NCC’s service lines</p>
9.	<p>In November, The IA attended and presented at the Norfolk Head teacher forum.</p> <p>The presentation included an update in respect of school specific fraud issues and the work of the County Council in combatting fraud, bribery and corruption.</p> <p>In addition the Council’s Anti-Fraud, Bribery and Corruption policy has been amended to be appropriate to the schools setting and it was agreed by the forum to be implemented going forward.</p> <p>Further activity has been planned in this area including the development of awareness materials in respect of identified risks.</p>	<p>Criteria 8: Multiple platforms are utilised to ensure NCC’s commitment to tackling Fraud, Bribery and Corruption is commutated effectively including: face to face meetings and presentations at events,</p> <p>Criteria 15: There are proportionate processes in place for the prevention, detection and deterrence of fraudulent activity throughout NCC’s service lines</p>
10.	<p>The IA has liaised with the fraud teams at Broadland District and South Norfolk Councils.</p> <p>The purpose of the liaison is to promote joint working and identify areas of local and national risk that have impact across the county.</p> <p>The liaison has been received positively and a number of initiatives and ideas have been shared including the potential to undertake joint proactive activity in the future.</p> <p>Further meetings have been agreed for 2018 and the IA will continue promote joint working initiatives and collaborate</p>	<p>Collaboration: Working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and</p>

	Activity	Link to NCC Anti-Fraud, Bribery and Corruption Strategy.
	where appropriate.	innovation, and information.
11.	<p>The Local Government Association has developed a workbook for elected members on bribery and fraud prevention.</p> <p>The workbook has been designed as a learning aid for elected members and covers the following areas:</p> <ul style="list-style-type: none"> • Fraud from a local authority perspective • Council and councillor responsibilities in relation to fraud prevention and detection • The fraud response • Fraud risk management • Assurance that fraud arrangements are effective <p>Links to the workbook were provided to Democratic Services and included in the August 2017 edition of the member's weekly Insight magazine.</p>	<p>Criteria 13: All staff within NCC are provided with knowledge (proportionate to their role) of what constitutes fraud, the fraud risks that are prevalent, and how to report concerns. Staff knowledge is tested periodically</p>
12.	<p>The IA has met with the Client Services Exchequer Manager to discuss fraud risks relating to Direct Payments made by the Council.</p> <p>It was found that a number of new initiatives are being implemented to mitigate the risk of fraud in this area including moving to a pre-payment card system for direct payments to be made.</p> <p>The IA will continue to monitor this risk, assist with evaluating new systems along with NAS Auditors and report any significant findings to the Audit Committee.</p>	<p>Prevent – preventing, deterring and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.</p>
13.	<p>A new Fraud and Bribery E-Learning course has been developed and should be available on the intranet by the time the Audit Committee meets.</p> <p>The course has been designed to provide basic fraud and bribery awareness and promote the reporting lines for</p>	<p>Criteria 13: All staff within NCC are provided with knowledge (proportionate to their role) of what</p>

	Activity	Link to NCC Anti-Fraud, Bribery and Corruption Strategy.
	<p>concerns to be raised in accordance with the councils Anti-Fraud, Bribery and Corruption policy.</p> <p>It is intended that the e-learning course will form part of the Councils mandatory induction training program and it has been Agreed by the Executive Director of Finance and Commercial Services that all Finance and Commercial Services staff will complete the training with a deadline of 31 March 2017.</p> <p>Furthermore agreement has been reached with the Executive Director of Adult Social Services to provide the training and further awareness to division staff going forward.</p>	<p>constitutes fraud, the fraud risks that are prevalent, and how to report concerns. Staff knowledge is tested periodically.</p>
14.	<p>In October, the IA provided an article for the inclusion in the Councils internal communication; Norfolk Manager.</p> <p>The article covered the following topics:</p> <ul style="list-style-type: none"> • Local prosecutions investigated by the IA in a previous role • The national picture relating to fraud risk • An introduction to the IA • An introduction of the Councils updated Anti-Fraud provision • Management responsibility for tackling fraud and bribery concerns • What to do and how to report concerns and; • Links to the updated strategy and policy <p>By providing articles of this nature it is intended that managers have a better understanding of the risks that are associated within the topic areas so appropriate measures can be applied to mitigate the risk of fraud and bribery from occurring.</p>	<p>Criteria 13: All staff within NCC are provided with knowledge (proportionate to their role) of what constitutes fraud, the fraud risks that are prevalent, and how to report concerns. Staff knowledge is tested periodically.</p>
15.	<p>The IA has commenced a Strategic Fraud Risk Assessment.</p> <p>The purpose of the assessment is to provide assurance that the strategic fraud prevention arrangements in place at the Council are robust and fit for purpose and identify areas for improvement.</p> <p>Upon completion of the assessment it is intended that</p>	<p>Criteria 2: Risk Assessments are carried out periodically to identify and understand fraud, bribery and corruption risks.</p>

	Activity	Link to NCC Anti-Fraud, Bribery and Corruption Strategy.
	<p>targeted reviews will be undertaken in areas of locally and nationally identified risk.</p> <p>The results of the assessment will be provided to the Audit Committee.</p>	<p>The anti-crime activities undertaken are proportionate to the level of risk identified and the activities are risk based.</p>
16.	<p>The IA has commenced a supplementary review of the data matches provided as part of the national Fraud Initiative.</p> <p>The NFI is an exercise that matches electronic data (such as payroll data) within and between public and private sector bodies to prevent and detect fraud.</p> <p>As part of the supplementary review, data within the NFI application has been compared with internal information available at the Council to identify potential areas of concern, such as staff working for other organisations whilst in receipt of sickness absence pay.</p> <p>Upon completion of the review any significant findings will be considered for investigation.</p>	<p>Criteria 18: There are proportionate processes in place for the prevention, detection and deterrence of fraudulent activity in the area of payroll fraud to include: Recruitment, Illegal working, Working Whilst Sick, Secondary Employment, Overtime and Expenses.</p>
17.	<p>The following policies are currently under review to assess their provisions for fraud resilience:</p> <ul style="list-style-type: none"> • Whistleblowing Policy • Code of Conduct and Behaviour Policy <p>Comparative work against other local government organisations is being completed to identify areas for improvement and best practice.</p> <p>It is intended that this work will be completed by the end of the financial year.</p>	<p>Criteria 10: The risk of Fraud, Bribery and Corruption is acknowledged and referenced within key policies to create a suite of Counter Fraud, Bribery and corruption arrangements intended to embed a counter fraud culture throughout NCC.</p>

	Activity	Link to NCC Anti-Fraud, Bribery and Corruption Strategy.
18.	<p>In September 2017 the government published the 2017 Cross Government Fraud Landscape annual report.</p> <p>The report focuses on detected fraud and error data collected across central Government in areas of expenditure outside of the tax, welfare and local Government systems.</p> <p>It is reported that identified fraud losses increased by 148% between 2014/2015 to 2015/2016 financial years (29.7 million to 73.6 million)</p> <p>The amount of fraud prevented also increased over the period by 20% (27.5 to 33.1 million)</p> <p>The Cabinet Office believe the reasons for the increase in detected and prevented fraud are due to:</p> <ul style="list-style-type: none"> • An improvement in the quality and comprehensiveness of reporting as a result of a focus in this area; • An increased focus on the risk of fraud across government; and, • A drive by the Cabinet Office to develop established methodologies for measuring prevented fraud. <p>The outcomes of the report demonstrate that detecting more fraud can have a positive impact and will assist in informing future counter fraud activity at the Council (both proactive and reactive).</p> <p>A full copy of the Cross government fraud landscape annual report can be found at Appendix C of this report for the Audit Committees information.</p>	National Picture.

1.3 Looking Ahead

The table below provides the Audit committee with the Counter Fraud work scheduled to occur before the next Audit Committee meeting.

Due to reactive investigation priorities and available resource it may not be possible to complete all of the stated tasks during the period.

Activity	Quarter 4 2018
Completion of the Fraud Risk Assessment	•
Completion of the supplementary NFI data match review	•
Further meetings with key personnel (internal and external)	•
The creation of fraud prevention materials, articles and newsletters	•
Completion of the Whistleblowing and Code of Conduct reviews	•
Production and completion of Fraud ELearning.	•
Production of the Anti-Fraud, Bribery and Corruption Annual Report	•

1.4 Reactive Investigation Update

The below tables provides a summary of the cases investigated during the current financial year.

The “**Fraud Detected**” column represents cases that resulted in either a sanction or other corrective action to mitigate the risk of reoccurrence:

Cases ongoing from 2016/2017	Total referrals received 2017/2018 to date	Cases closed - Fraud Detected	Cases closed – No Further action	Total cases on-going
0	8	3	3	2

From the referrals received:

- 3 cases related to Norfolk Schools
- 3 cases related to internal matters
- 2 cases related to members of the public.

A summary of any financial loss and/or any recovery action will be provided in the 2017-2018 Anti-Fraud, Bribery and Corruption annual report at the end of the financial year.

Contact

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

Officer name : Adrian Thompson

Tel No. : 01603 222784

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

Support : **Andrew Reeve**

Tel No. : 01603 222746

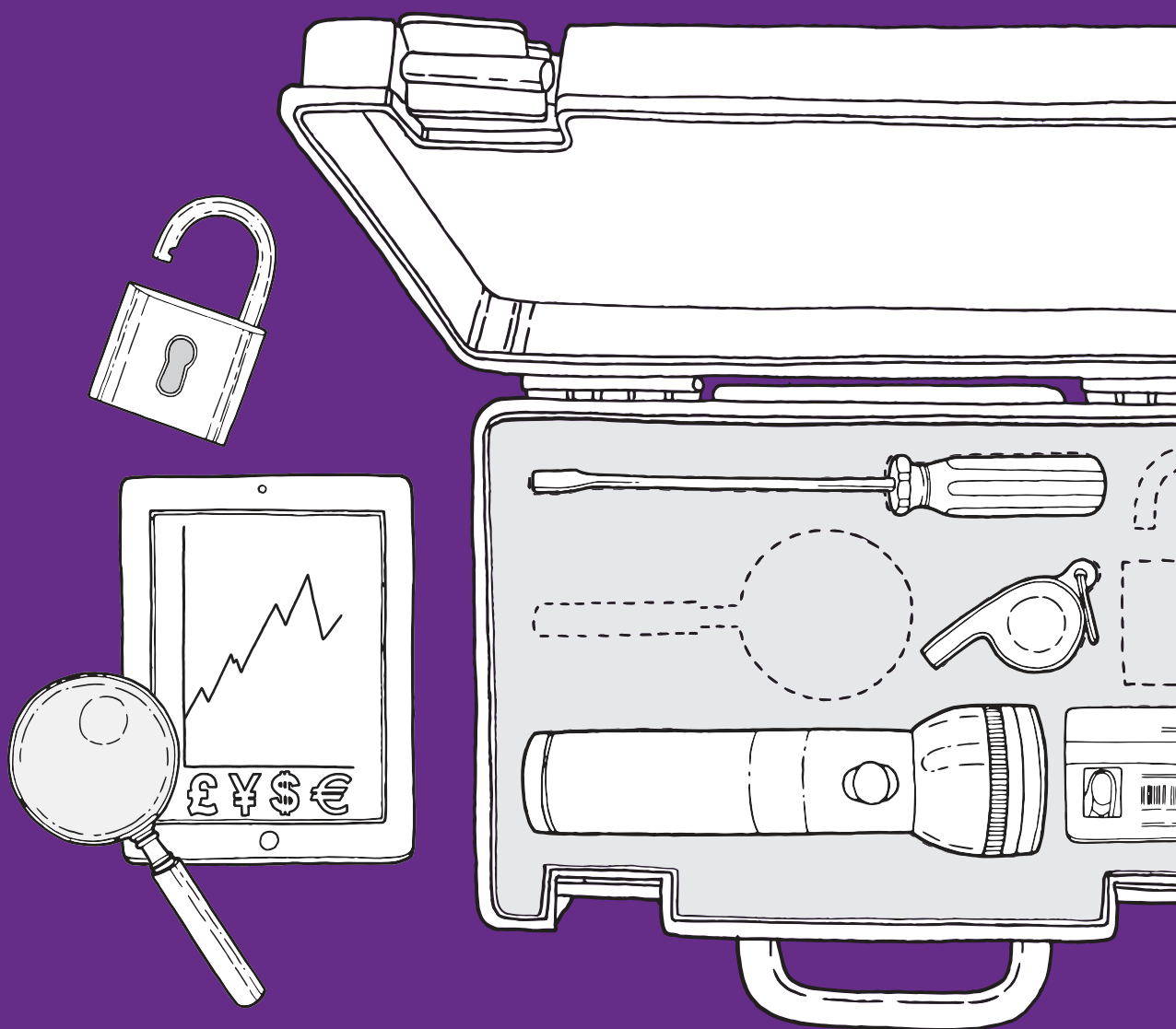
Email address : andrew.reeve@norfolk.gov.uk



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.

fraud and corruption tracker

Summary Report 2017



**CIPFA COUNTER
FRAUD CENTRE**

Contents

3	Foreword
5	Introduction
8	Recommendations
9	Main Types of Fraud <ul style="list-style-type: none">– Council tax– Housing– Disabled parking (Blue Badge)– Adult social care
13	Other Types of Fraud <ul style="list-style-type: none">– Business rates– Insurance– Procurement– Welfare assistance and no recourse to public funds– Payroll, expenses, recruitment and pensions– Economic and voluntary sector (grant fraud)– Manipulation of data (financial or non-financial) and mandate fraud
16	Serious and Organised Crime
16	Whistleblowing
17	Counter Fraud Resources
18	Sanctions
19	Fighting Fraud and Corruption Locally
20	Acknowledgements
21	Appendix 1: Estimates and Fraud Types
22	Appendix 2: Research Methodology

Foreword

Public sector organisations around the UK are clearly committed to fighting fraud and corruption. Through the implementation of initiatives and collaboration with new partners, the public sector understands the importance of counter fraud activity and the contribution it makes to organisations' resilience. The success of counter fraud activities is more than about saving money but covers both the reputational and moral risk for an organisation.

The CIPFA Fraud and Corruption Tracker (CFaCT) survey is part of that story and provides a picture of fraudulent activity in local government and identifies actions that are being taken to combat it.

Supported by organisations such as the National Audit Office (NAO), the National Crime Agency (NCA) and the Local Government Association (LGA), CIPFA draws on the expertise of those within the profession to deliver this annual survey which enables practitioners to focus on trends and emerging risks.

Understanding emerging risks allows authorities to develop appropriate strategies and deploy adequate resources to support the fight against fraud and corruption. This year's survey has shown that adult social care fraud has evolved from an emerging risk to one with which many local authorities are now actively engaged.

This report, which summarises the findings of the most recent CFaCT, not only raises awareness of fraud prevention, detection and deterrence across local government, but will also enable organisations from across the wider public sector to benchmark their responsiveness against others facing similar risks.

This report will:

- help organisations understand where fraud losses could be occurring
- provide a guide to the value of detected and prevented fraud loss
- help senior leaders understand the value of counter fraud activity
- assist operational staff to develop pro-active counter fraud plans.

The survey was supported by:



The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre (CCFC), launched in July 2014, was created to fill the gap in the UK counter fraud arena following the closure of the National Fraud Authority (NFA) and the Audit Commission, and the subsequent transfer of benefit investigations to the Single Fraud Investigation Service (SFIS), run by the Department for Work and Pensions (DWP). The CCFC leads and co-ordinates the fight against fraud and corruption across public services by providing a one-stop-shop for thought leadership, counter fraud tools, resources and training.



Introduction

CIPFA recognises that each pound lost to fraud represents a loss to the public purse and reduces the ability of the public sector to provide services to people who need them. According to the [Annual Fraud Indicator 2013](#), which provides the last set of government sanctioned estimates, fraud costs the public sector at least £20.6bn annually and of this total, £2.1bn is specifically in local government.

Fraud continues to pose a major financial threat to local authorities and working with partners such as the LGA and the Home Office, we are seeing an emerging picture of resilience and innovation within a sector that is aware of the difficulties it faces and is finding solutions to the challenges.

The third CFaCT was carried out in May 2017 and provides a national picture of fraud, bribery and corruption in local government. It also shows how the sector is dealing with the challenges and helps identify the actions that the sector needs to take to reduce the threat posed by fraudulent activity.

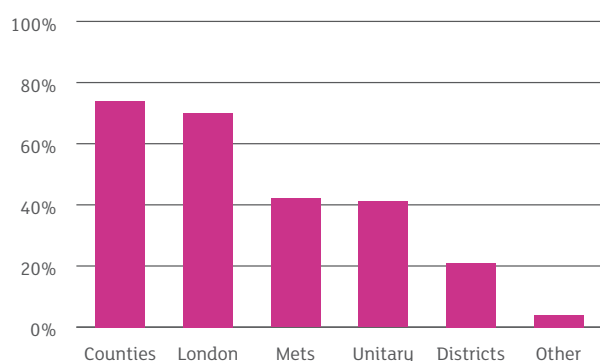
The CFaCT draws on the experience of practitioners and the support and expertise of key stakeholders to show the changing shape of the fraud landscape. It received a spread of results from across all regions and local authorities, enabling us to estimate the total figures for fraud across English, Welsh and Scottish local authorities.

CIPFA estimates that across local authorities more than 75,000 frauds have been detected or prevented in 2016/17 with a total value of £336.2m. The number of fraud cases investigated or prevented dropped in 2017, but the average value per fraud increased from £3,400 to £4,500; the reason for this could be that local authorities are focusing on cases with a higher financial value.

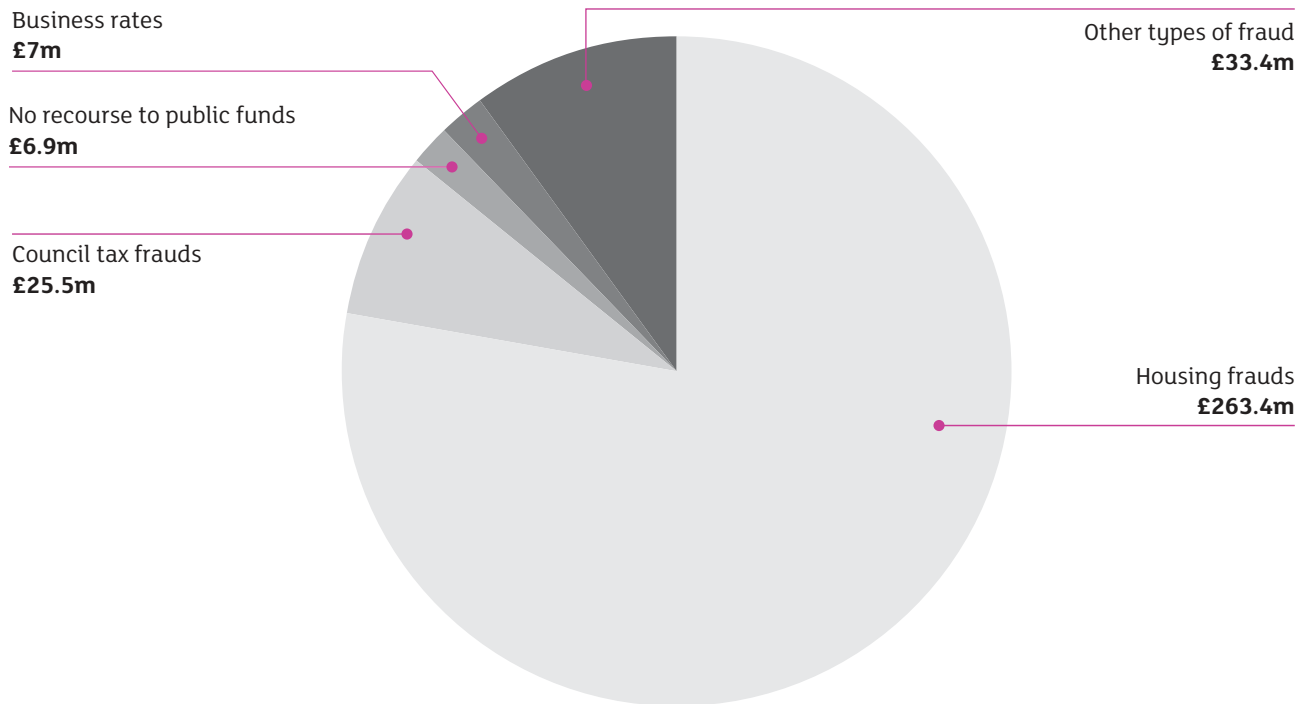
The CFaCT also revealed the following:

- procurement, adult social care and council tax single person discount are perceived as the three greatest fraud risk areas
- adult social care fraud has shown the largest growth in the past year, with an estimated £5.6m investigated compared with £3.0m in 2016
- the highest number of investigations related to council tax fraud (76%) with a value of £25.5m
- the highest value area of fraud is housing with an estimated total of £263.4m
- 38% of organisations who responded have a dedicated counter fraud service.

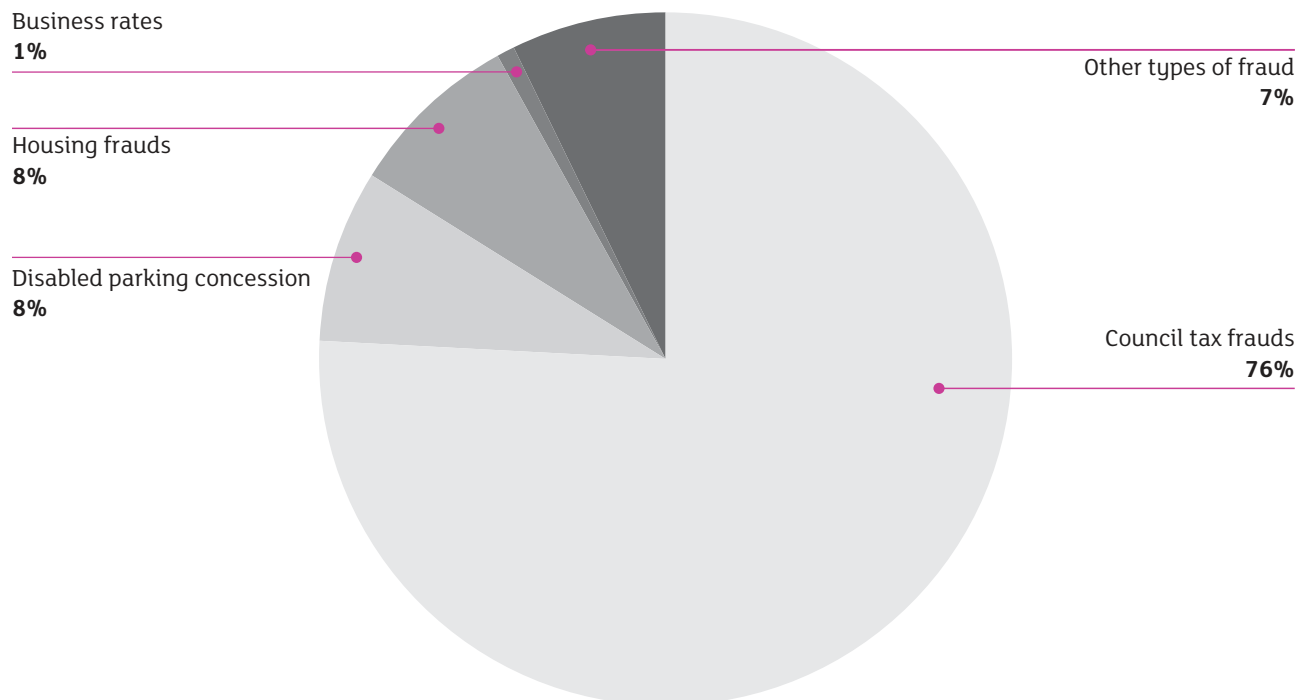
Response Rate



Estimated value of fraud detected



Detected fraud by estimated volume



Cyber crime has a high profile in the media and poses a growing challenge to a sector becoming more digital in terms of service delivery. The threat calls on the shared expertise of fraud and IT teams and it is often unclear who holds responsibility. Respondents to the CFaCT 2017 reported that only three fraud teams (2.3%) were responsible for cyber risk, whereas 106 (80%) reported that IT or the chief information officer held responsibility.

When we started the survey in 2014, three quarters of respondents told us that cyber risk was not included in the corporate plan. This year we see that over half the respondents had carried out a cyber risk assessment in the previous 12 months.

A number of themes and challenges have emerged over the three years that CIPFA has carried out this survey, and these include the following:

- housing has the highest value of all fraud types
- council tax fraud has seen the highest volume of cases
- local authorities benefit from looking forward, preparing for and understanding emerging risks in order to find effective solutions
- barriers to effective data sharing have consistently been stated as impacting on fraud prevention and investigation
- insufficient capacity and a lack of effective fraud risk assessment have proved to be challenges.

In the past three years fraud teams have operated within increasingly restricted budgets while the frauds they look to uncover become more sophisticated. From the figures and responses in the report, fraud teams are responding with positivity and a professional commitment to these challenges. The CFaCT shows that the sector is focusing on certain fraud areas, combining skills and resources and developing shared services.

This report highlights:

- the types of fraud as identified in the CFaCT 2017
- how the fraud and corruption landscape is changing
- what monetary value is lost through fraudulent activity
- how counter fraud activity and prevention improves the public sector budget
- what threats and risks are emerging
- what is being done to prevent fraud.

Recommendations

CIPFA recommends that organisations:

- ensure that cyber security is integral to any new strategy or policy decision, reflecting the [National Cyber Security Strategy 2016 to 2021](#)
- continue to be vigilant and raise awareness of fraud within adult social care
- have a strong counter fraud leadership that understands the importance of involving counter fraud practitioners when devising policy and strategy
- continue to maximise opportunities to share data and to explore innovative use of data within the law
- communicate clearly both internally and externally the role of the fraud team and the importance of the role for both financial and reputational benefit.

Main Types of Fraud

CIPFA has identified the main types of fraud based on the volume of investigations or the value of the financial loss. According to the survey results there are four main areas:

1. council tax
2. housing
3. disabled parking (Blue Badge)
4. adult social care.

Council tax

Council tax fraud has always been the largest reported issue and this is the same in 2017. Council tax is levied on domestic properties and collected by district and unitary authorities in England and Wales and levying authorities in Scotland. As the revenue forms part of the income for local authorities, there is a clear correlation between council tax fraud and a reduction in the available budget.

Council tax fraud is split into three areas:

1. council tax single person discount (SPD) – eg where the council tax payer falsely claims to be an eligible single occupier
2. council tax reduction (CTR) support – eg where the council tax payer falsifies household income to qualify for support
3. other types of council tax fraud – eg claims for exemptions or discounts to which the council tax payer has no entitlement.

Traditionally an area of high volume/low value, council tax represents the highest number of fraud cases reported by local authorities (76%). However, the total value of the fraud, estimated at £25.5m, only accounts for 7.6% of the estimated value of all detected fraud.

Estimated council tax fraud

	Volume	Value
SPD	50,136	£19.5m
CTR	6,326	£4.8m
Other	674	£1.1m
Total	57,136	£25.5m

When asked about the perceived highest fraud risk areas, SPD was third behind procurement and adult social care.

Perceived highest risk areas



3

Single person discount



2

Procurement



1

Adult social care

Housing and tenancy fraud

Housing and tenancy fraud takes a number of forms including:

- illegal subletting for profit
- providing false information to gain a tenancy
- wrongful tenancy assignment and succession
- failing to use the property as the principal home
- right to buy fraud, for example where circumstances have been misrepresented to qualify for a discount.

Housing is expensive in many parts of the country, the South East in particular, and therefore a low number of cases produces a high value in terms of fraud. However, councils record the income lost to housing fraud according to different values, ranging from a notional cost of replacing a property to the average cost for keeping a family in bed and breakfast accommodation for a year. The National Fraud Initiative (NFI) has historically used a figure of £18,000 to reflect the cost of homeless accommodation over one year, however, this year the NFI has increased that notional figure to £93,000.

The lack of a standard approach makes valuing housing fraud difficult and the approaches vary not only between regions but also between councils. To give some idea of the growth in this area this report has taken the cases reported over the last two years and estimated a figure for all local authorities. Using this methodology, the estimated total value of housing fraud is £263.4m. The number of cases of right to buy fraud has fallen since the 2016 survey but the value has risen to £112m.

Right to buy is the scheme that allows tenants who have lived in their properties for a qualifying period the right to purchase the property at a discount. As housing has become increasingly expensive, especially in London, the value of this type of fraud has seen a rapid increase. The loss is higher in London than in other parts of the country, with an average value per case of £97,000 against £81,000 for the rest of the UK.

Estimated housing fraud

Type of fraud	Volume	Value
Right to buy	1,284	£111.6m
Illegal subletting	1,829	£78.5m
Other*	2,825	£73.3m
Total	5,938	£263.4m

*Other includes tenancy frauds that are neither right to buy nor illegal subletting, and may include succession fraud and false applications.

1,284

the estimated number of
right to buy cases investigated
or prevented during 2016/17

£263.4m

the estimated total value of housing
fraud investigated during 2016/17

Estimated housing fraud



Right to buy
£111.6m



Sublet
£78.5m



Other
£73.3m

Disabled parking (Blue Badge)

The Blue Badge is a Europe-wide permit scheme that gives parking concessions to people with sight impairments or severe walking difficulties. It is locally administered and allows permit holders to park nearer to their destination. Fraud from the misuse of the Blue Badge has decreased since we started the survey. In 2015/16 the estimated number of cases was 7,078, and in 2016/17 this decreased dramatically to 5,751.

There is no standard way to calculate the value of this type of fraud and some authorities, for example in London, place a higher value on the loss than others and invest in more counter fraud resource.

The cost of parking in London results in a higher value to case ratio. From the survey responses we estimate a total of 1,396 cases for London authorities with a total loss value of £3.0m, whereas the estimate for the rest of the

UK is 4,355 cases with a total value less than half that of London at £1.4m.

In the event that Blue Badge misuse is identified, it is often prosecuted and the individual is fined (which is paid to the court). Costs are awarded to the prosecuting authority but these may not meet the full cost of the investigation and prosecution. It is possible that because costs may not be fully redeemed, authorities have little incentive to focus attention on this fraud type. Prosecution, where successful, may serve as a warning and a reflection of public interest.

Estimated Blue Badge fraud

Volume	Value
5,751	£4.3m

Blue Badge prosecution

After an investigation by Warrington Borough Council's counter fraud team, the council prosecuted a resident for using a Blue Badge which did not belong to him, and had in fact expired, to park in designated disabled parking spaces.

The court fined the man £69 in respect of four offences, charged him a victim surcharge of £30, £120 in penalty charge notices and ordered him to pay £100 in court costs.

This case illustrates that any money returned to the council would not be sufficient to cover the investigation and prosecution costs, but taking the case to court would serve to raise awareness and potentially deter others.

Value of Blue Badge fraud in London v rest of UK



£3m
London



£1.4m
rest of the UK

Adult social care

There has been a rise in the number of fraud cases identified in adult social care and the value of the loss has started to increase. This is a trend that we have seen emerging over the last few surveys. In 2015/16 the average value of loss specifically for adult social care was below £10,000 but in 2016/17 we see a rise in value to around £13,000.

Adult social care fraud can happen in a number of ways but the increase in personal budgets gives a greater opportunity for misuse.

Investigations cover cases where:

- direct payments were not being used to pay for the care of the vulnerable adult
- care workers were claiming money for time they had not worked or were spending the allocated budget inappropriately.

Over the past few years many local authorities have funded training and introduced robust controls to mitigate the risk of fraud within personal budgets.

This year's survey also highlighted the links between adult social care fraud and insider fraud. Five percent of adult social care frauds investigated by respondents involved an authority employee.

Estimated adult social care fraud

Type of fraud	Volume	Value
Adult social care personal budget	264	£2.8m
Adult social care (other)*	182	£2.8m
Total	446	£5.6m

*Other includes internal fraud or identity fraud.

Fraud by abuse of position

The counter fraud team at Essex County Council was contacted by a social worker who, after conducting a routine monitoring review, considered that the service user (Ms B) may be paying a relative living at the same address to provide support for her care needs. This had not been agreed by the service area, and was contrary to council policy on employment of personal assistants.

The team identified that Ms B, who was also a social worker employed by the council, had not been paying a carer for many years. Ms B had been receiving direct payments to cover care needs since 2002 and had submitted quarterly returns to evidence spend but this had stopped in 2007, despite being chased. At interview, Ms B advised that she had not spent the direct payment since 2007 but would not provide bank statements to evidence this. Payments from Essex County Council from April 2007 to the date of the suspension amounted to nearly £47,000.

Ms B had just sold her house and was in the process of buying another property. A cheque was returned to the council for £46,887.90.

Ms B was dismissed from the council following disciplinary procedures and the case was referred to the Health Care and Professions Council (HCPC). An HCPC hearing resulted in a caution being placed on her registration for three years.

The case was also referred to Essex Police, who confirmed that Ms B had regularly used the direct payment as her personal monies. As a result Ms B was charged with theft of £46,887.90 and pleaded guilty to the charge. She received a suspended 16 month sentence, costs of £340 and a six month curfew.

Other Types of Fraud

Fraud covers a substantial number of areas and within organisations these vary in importance. This part of the report looks at the responses to some of these that did not appear as major types of fraud within the national picture but are important to individual organisations. Our results looked at the following fraud types in this category:

- business rates
- insurance
- procurement
- welfare assistance and no recourse to public funds
- payroll, expenses, recruitment and pensions
- economic and voluntary sector (grant fraud)
- manipulation of data (financial or non-financial) and mandate fraud.

Business rates

Business rates have received considerable publicity and are a key cost for those who have to pay the tax. There is also the political sensitivity felt by politicians wanting to maximise an environment for economic growth and business development.

Business rate fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to differentiate between evasion and avoidance. Business rate fraud can include the falsification of circumstances to gain exemptions and discounts.

Business rates represented 0.5% of the total number of frauds reported in 2015/16 and had risen to 0.9% in 2016/17. The estimated total value of the fraud loss has increased from £4.8m in 2015/16 to £7.0m in 2016/17.

Estimated business rate fraud

Volume	Value
662	£7.0m

Insurance fraud

This fraud includes any false insurance claim made against an organisation or an organisation's insurers. Within the insurance fraud category, there were six cases of organised crime.

Authorities should ensure that counter fraud measures within their own insurance claims processes are fit for purpose and that there is a clear route for investigation into alleged frauds.

The total estimated value of loss in 2016/17 is £5.1m – a decrease from £7.0m in 2015/16. The number of frauds detected or prevented fell but the average value increased to £13,800.

Considerable work has been done in the area of insurance fraud and insurance companies are working with organisations to develop new ways to identify fraud and abuse within the system.

Estimated insurance claim fraud

Volume	Value
371	£5.1m

Procurement fraud

Procurement fraud can occur throughout the procurement cycle, from purchasing through to the service delivered and payments. In last year's survey procurement was perceived as one of the greatest fraud risks, with housing procurement being of particular concern. The number of procurement fraud cases reported in 2015/16 was five times more than in 2014/15.

In 2016/17 there were an estimated 197 prevented or detected frauds with an estimated value of £6.2m, compared with 427 cases in 2015/16 with a total value of £5.7m; this drop in the number of cases but increase in value could indicate that higher level frauds are being discovered. However, procurement fraud takes place in a constantly changing environment and can occur anywhere throughout the procurement cycle. There can be sizeable difficulties in measuring the value of procurement fraud since it is seldom the total value of the contract but an element of the contract involved. The value of the loss, especially post award, can be as hard to measure but equally significant.

Estimates suggest that nearly 40% of all fraud committed against local authorities concerns abuse of the procurement cycle.¹ The London Borough of Hackney's innovative approach to this problem was to create a multifaceted and specialist procurement team within the audit and anti-fraud division. This has allowed the authority to carry out complex and often lengthy investigations which have resulted in cost savings as well as greater assurance across the organisation.

The [Fighting Fraud and Corruption Locally Strategy 2016–2019](#) recommends that organisations create a procurement fraud map and define the stages at which procurement fraud can happen in a local authority. This would highlight low, medium and high potential risks and inform risk awareness training for the future.

The Competition and Markets Authority (CMA) is working with the public sector to identify areas of higher risk within procurement. The CMA has produced a free online tool that studies the data fed in against bidder behaviour and price patterns. It then flags areas where fraud **could** be a possibility and should be investigated.

Estimated procurement fraud

Volume	Value
197	£6.2m

For more information see also [Managing the Risk of Procurement Fraud](#) (CIPFA/LGA, 2015).

Welfare assistance and no recourse to public funds

Local welfare assistance was set up to help the poorest residents to deal with short-term costs caused by fire, flood or injury. The assistance is not a statutory duty and with money being limited many authorities have cut the service dramatically or dropped it completely. Awards are discretionary and may come as either a crisis payment or some form of support payment.

In 2016, the estimated number of cases was 610 but this has declined in the past year to an estimated 103.

While 'no recourse to public funds' fraud presents a significant fraud risk to local authorities, it is primarily to be found in London, southeast England and larger metropolitan boroughs. London had 90% of reported cases in this year's survey. This type of fraud includes claimants using false documents to obtain benefits.

Over the past 12 months the number of cases in this area has increased, rising from 255 in 2015/16 to 342 in 2016/17. However, the average value of the fraud has fallen to £20,000, resulting in an overall decrease in total loss from £8.2m to £6.9m.

Estimated fraud in welfare assistance and no recourse to public funds

Type of fraud	Volume	Value
Welfare assistance	103	£0.3m
No recourse to public funds	342	£6.9m

No recourse to public funds



¹ www.local.gov.uk/sites/default/files/documents/managing-risk-procurement-13a.pdf

Economic and voluntary sector (grant fraud)

This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation. As funds become more limited for this type of support it is even more important for fraud teams to be aware of the risks within this area.

Although only 17 actual cases of grant fraud were reported in the 2017 survey, the average value of loss was £39,000 per fraud.

Payroll, expenses, recruitment and pensions

If we combine all the estimated results for these four areas the total value of the fraud loss is an estimated £2.1m.

It can be very difficult, however, to measure the cost of these frauds because the implications for some do not necessarily carry a monetary value, such as reputational damage or investigating the motives behind the fraud. As a result some organisations can be less keen to investigate or report investigations in these areas.

Employees and those working inside an authority can abuse council processes for financial gain. Respondents reported that 40% of payroll fraud cases investigated or prevented during the year involved insider fraud.

Recruitment fraud is an interesting area and often one where it is difficult to establish a value of fraud loss. It would be impossible to put a price on the damage that could be inflicted on an organisation if it were to employ a member of staff who had falsified their qualifications. Without a strong risk assessment and additional investigation, an appointment may be made that would have considerable adverse implications.

40%

of payroll cases involved insider fraud

Estimated payroll, expenses, recruitment and pension fraud

Type of fraud	Volume	Value
Payroll	248	£1.0m
Expenses	75	£0.1m
Recruitment	46	£0.2m
Pension	228	£0.8m
Total	597	£2.1m

Manipulation of data (financial or non-financial) and mandate fraud

The fraud most commonly carried out within the manipulation of data category relates to employees changing data in order to show a better performance than actually occurred or staff taking data from the organisation.

[Action Fraud](#) states that:

Mandate fraud is when someone gets you to change a direct debit, standing order or bank transfer mandate, by purporting to be an organisation you make regular payments to, for example a subscription or membership organisation or your business supplier.

CIPFA estimates that across the UK manipulation of data fraud has more than doubled from 24 in 2015/16 to 57 in 2016/17. Mandate fraud has also increased from 188 in 2015/16 to 325 in 2016/17.

Procedures must be in place to ensure that staff are aware of this type of fraud and act accordingly by checking information. Advice from organisations such as Action Fraud can help to ensure that the risk is reduced, but from the results of our survey organisations are clearly still experiencing loss. Removing data may not result in financial loss but can result in reputational damage. Mandate fraud may also not be reported because of reputational repercussions.

90%

the percentage of respondents who have a counter fraud plan in place

Serious and organised crime

This year's survey again included a question (requested by the Home Office) on serious and organised crime in order to help establish how it is being tackled by local authorities.

Organised crime groups are often involved in complicated and large-scale fraudulent activities which cross more than one boundary. Such activities demand considerable resources to investigate and require organisations to co-operate in order to successfully bring criminals to justice.

The CFaCT 2017 identified 26 cases of serious and organised crime, and the responses indicate that organisations share a great deal of data both internally and externally. In addition, of the organisations that responded, 23% identified serious and organised crime risks within their organisation's risk register.

91%

the percentage of respondents who share data externally

Whistleblowing

Whistleblowing was strongly evidenced again this year, with 60% of organisations surveyed saying that they annually reviewed their whistleblowing arrangements in line with the [PAS 1998:2008 Whistleblowing Arrangements Code of Practice](#).

Of those questioned 85% confirmed that staff and the public had access to a helpdesk and 72% said that the helpline conformed to the PAS 1998:2008.

Respondents reported a total of 686 whistleblowing cases, made in line with PAS 1998:2008. This represents disclosures in all areas, not just with regard to suspected fraudulent behaviours. Effective whistleblowing allows

staff or the public to raise concerns about a criminal offence, miscarriage of justice or dangers to health and safety in a structured and defined way. It can enable teams to uncover significant frauds that may otherwise have gone undiscovered. Organisations should therefore ensure that whistleblowing processes are reviewed regularly.

Counter Fraud Resources

Increased delivery with reduced resources is the context in which fraud teams are operating. It is therefore unsurprising that the proportion using a shared service has increased from 10% to 14%. This approach has gained popularity in some areas as a method of allowing smaller organisations to provide a service that is both resilient and cost effective.

For those organisations that are not opting to run shared services, the CFaCT 2017 showed a flatlining of counter fraud staff resources until 2019. This position would appear to be a change of intention from 2015, when some respondents had hoped to increase their staff numbers. We did however see a slight increase in the number of organisations which have qualified financial investigators available in-house, from 27% in 2016 to 34% in 2017, but fraud services continue to be stretched.

While it is not essential for all organisations to have a dedicated counter fraud function, CIPFA continues to reinforce the importance of organisations having a fraud response plan that enables allegations of fraud to be investigated effectively by skilled and professional investigators.

Hertfordshire shared counter fraud service

In 2015, six councils in Hertfordshire, including the county council, established a shared service to improve the prevention of fraud and corruption. At the centre of the plan was the requirement to have a more robust and resilient service where data was exchanged and best practice shared. The commercial nature of the service also required a return on investment and the opportunity to create new income streams.

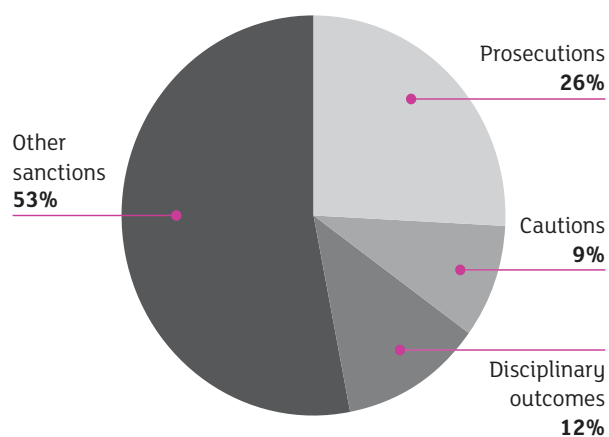
The combined service has provided flexibility and a significant return on investment for those involved, and the reduction in duplication across common policy approaches has resulted in a more efficient use of resources.

Sanctions

The CFaCT 2017 allows us to explore the sanctions being used and indicates the following:

- 614 prosecutions were completed in 2016/17, and of the prosecutions, 22 involved insider fraud – all 22 cases were found guilty
- there was an average of four prosecutions per survey respondent
- the share of other sanctions used increased from 45% to 53% from 2016 to 2017
- the share of cautions as a proportion of all sanctions dropped from 22% to 9% between 2016 and 2017.

Outcome of sanctions



The chart indicates that:

- prosecutions include both in-house and CPS prosecutions
- cautions relate to a verbal warning given in circumstances where there is enough evidence to prosecute, but it is felt that it is not in the public interest to do so in that instance
- disciplinary outcomes relate to the number of instances where as a result of an investigation by a fraud team disciplinary action is undertaken, or where a subject resigns during the disciplinary process
- other sanctions include the imposition of fines or other penalties by the organisation.

Fighting Fraud and Corruption Locally

The [Fighting Fraud and Corruption Locally Strategy 2016–2019](#) (FFCL) was developed by local authorities and counter fraud experts and is the definitive guide for local authority leaders, chief executives, finance directors and all those with governance responsibilities.

The strategy is available for councils to use freely so that everyone can benefit from shared good practice. It provides advice on how to lead and communicate counter fraud and corruption activity for the greatest impact as well as covering resource management and investment in counter fraud operations.

As in previous surveys, the FFCL Board put forward specific statements to be included to help measure the effectiveness of the initiatives in the strategy and the responses are reflected in the diagram below. The more confident respondents are about the way fraud is dealt with in their organisation the higher they marked the statement, low scores are at the centre of the diagram.

Counter fraud controls by country



Over the past three years, local authorities have identified capacity, data sharing and fraud risk management as issues that need to be addressed in order to effectively tackle fraud and corruption. The FFCL's 34-point checklist is a good starting point as it provides a comprehensive framework to address these concerns.

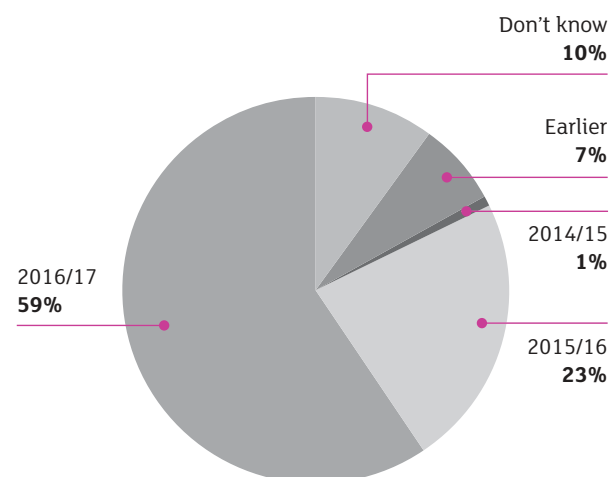
The FFCL Strategy recommends that:

There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.

By producing a plan and having resources that are agreed by the leadership team, management is able to see gaps in capacity and identify areas of risk which enables them to make effective strategic decisions.

In fact, an area of improvement has been the rise in organisations that have a counter fraud and corruption plan. Last year, 11% did not have a plan or did not know if they had one, and only 62% had the plan approved in the last 12 months. Of those who responded to this year's survey, 90% have a counter fraud and corruption plan in place (10% did not know) and 74% had carried out a corporate fraud assessment in the last 12 months. Some respondents reported that an assessment was pending.

When did you last have your counter fraud and corruption plan approved?



Acknowledgements

CIPFA would like to thank all the organisations that completed the survey along with those that helped by distributing the survey or contributing case studies, including:

- Association of Local Authority Treasurers
- FFCL board
- Gary Coote, London Borough of Hillingdon
- Home Office
- Kate Bridge, Competition and Markets Authority
- Luan Quirke, Wirral Council
- Local Government Association
- Nick Jennings, Hertfordshire County Council
- Patrick Saunders-Wright, London Borough of Hackney
- Peter Tanton, Essex County Council
- Public Concern at Work
- Solace

Appendix 1: Estimates and Fraud Types

The table below shows the types of fraud reported in the survey, the estimated number of cases reported during 2016/17 and an estimate of the total value of these fraud cases. The methodology used in the estimation is described in Appendix 2.

Types of fraud	Fraud cases	Value	Average
Council tax	57,136	£25.5m	£400
Housing	5,939	£263.4m	£44,300
Disabled parking concession (Blue Badge)	5,751	£4.3m	£800
Business rates	662	£7.0m	£10,600
Adult social care	446	£5.6m	£12,500
Insurance claims	371	£5.1m	£13,800
No recourse to public funds	342	£6.9m	£20,200
Mandate	325	£1.7m	£5,200
Schools (excluding transport)	258	£0.5m	£2,000
Payroll	248	£1.0m	£4,100
Pensions	228	£0.8m	£3,400
Procurement	197	£6.2m	£31,300
Debt	142	£0.3m	£2,400
Welfare assistance	103	£0.3m	£3,000
Expenses	75	£0.1m	£1,900
Children's social care	59	£0.8m	£13,800
Manipulation of data	57	na	na
Recruitment	46	£0.2m	£3,700
Economic and voluntary sector support	39	£1.5m	£38,800
School transport	19	£0.2m	£12,300
Investments	0	£0.0m	na
Other	2,768	£4.7m	£1,700
Total	75,212	£336.2m	£4,500

Appendix 2: Research Methodology

This year's CFaCT results are based on responses from 133 English, Welsh and Scottish local authorities. With this response rate, we are able to calculate an estimated total volume and value of fraud for all local authorities in England, Wales and Scotland.

For all non-responding authorities, missing values are calculated according to the size of the authority. For each type of fraud, an appropriate measure of authority size applicable to that authority has been selected. For example, local authority housing stock is used as the basis for the estimation of housing frauds. From the responses, the number of cases per unit of the size measure is calculated and used to estimate the missing values. Then, for each missing authority, the estimated number of cases is multiplied by the average value per case provided by respondents to give an estimated total value.

As an illustration, if the number of housing frauds per house is 0.01 and a missing authority has 1,000 houses in its housing stock, we estimate the number of frauds as 10. If the average value per case is £100,000, then the total estimated value of fraud for that authority is £1.0m. The figures that are presented in this report are estimated according to this methodology. The 2015/16 estimates have also been restated for the purpose of comparison.



Registered office:

77 Mansell Street, London E1 8AN

T: +44 (0)20 7543 5600 F: +44 (0)20 7543 5700

www.cipfa.org

The Chartered Institute of Public Finance and Accountancy.
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HM Government

Cross-Government Fraud Landscape Annual Report

September 2017



HM Government

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September 2017

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This report focuses on detected fraud and error data collected across central Government in areas of expenditure outside of the tax, welfare and local Government systems.

This report also includes updates on the cross-government work led by the Cabinet Office's Centre of Expertise for Counter Fraud and Error Reduction. This includes: Random Sampling exercises designed to detect and estimate fraud and error loss; setting standards for counter fraud skills and activity and building a government profession.

Contents

Ministerial Foreword	3
Chief Executive of the Civil Service	4
Executive Summary	5
Scope of Report	5
What the Data Says	6
Part One – The Role of the Cabinet Office	8
Part Two - Background and the Fraud Iceberg	9
What is Fraud	9
The Fraud and Error Loss 'Iceberg'	10
Part Three – Tackling the Iceberg	13
Government Approach to Counter Fraud: Tackling the Iceberg	13
Part Four - 2015-16 Fraud Loss Data	15
Fraud Data Collection	15
Levels of Fraud and Error	17
Part Five – Random Sampling	21
Programme Development	21
The Programme	22
Part Six – Functional Standards for Counter Fraud	24
Background	24
The Functional Standards	24
Part Seven - Building a Government Counter Fraud Profession	26
Background	26
Governance	26
Developing Standards	27
The Counter Fraud Framework	28

Progress	29
Establishing a Fraud Profession - Training, Development and Improving Capability	29
Annex A	30
Annex B	31
Annex C	33

Ministerial Foreword

Dealing with fraud across the public sector is an important part of effective Government. It is important and right that Government takes fraud, and the risk of fraud, seriously and strives to improve its approach. This Government's ambition is for the UK public sector to be one of the leading countries in both identifying and dealing with fraud loss and risk. The Cabinet Office is bringing government together to move on this agenda.

This government is taking a 21st Century approach to dealing with fraud. The risk of fraud is a challenge that all organisations and individuals face and the public sector is no different. Central government manages a huge range of public services, both directly and through others, and all of these have a risk of fraud associated with them.

Government has taken action on fraud loss in both welfare and tax fraud over the past few years and prides itself on its transparent approach to fraud levels in these areas. Fraud in the tax and welfare system has been well covered, scrutinised and is published annually. Fraud in the rest of the public sector has not had such a high profile.

In 2013, the Fraud Taskforce started work to understand the picture across the rest of Government, building on the work done by the National Fraud Authority. This work formed the basis of the National Audit Office's Fraud Landscape Review that was published in February last year.

This work suggested that the level of fraud being detected in central government was much lower than would be expected in an organisation of comparable size. In the Landscape Review, the NAO challenged government to maintain its focus on fraud outside of tax and welfare, a challenge that we have risen to.

Traditionally there have been limited incentives to find fraud, as the main consequence of finding it was criticism and scrutiny. Fraud is a hidden crime as those who commit fraud are actively trying to hide what they are doing. This means one has to proactively look for it. Hence only by considering finding fraud a good thing and detecting more will we be able to identify and deal with the problem, ultimately saving taxpayers' money.

It would have been easy to take the low figures for detected fraud in this report as a positive, as an indication that fraud levels were low. Government, however, believes that there is a lot more fraud out there to find than is currently being reported.

Attempts at fraud will happen and government sees the identification of these problems as a great success. It is only through identifying and understanding fraud that we can take effective action against it.

We have made good progress, since 2014/15, identified fraud in the public sector has risen from £29.7m to £73.6m. This rise has been due to the hard work of public sector workers and the co-ordinated drive from the Cabinet Office.

Where fraud is found, departments are taking action to deal with it. Departments look into these cases and pro-actively learn lessons, and consider changes in their processes to stop similar fraud from happening again. Departments are taking action to increase fraud awareness, more actively look for fraud and increase their capability to deal with it.

In support of this, the government is coming together, coordinated by the Cabinet Office, to increase capability in detecting and dealing with fraud through ground-breaking activities such as the creation and adoption of standards and the launch of the Government Counter Fraud Profession. These key initiatives and proactive stance clearly show the government's strong commitment to dealing with fraud.

There is more work to do and Government expects detected fraud levels to rise further as we uncover more and more. We are confident that doing this is the right thing for the public sector and will protect public services and ensure taxpayers' money is spent in the right places.

Chris Skidmore MP
Minister for the Constitution



A handwritten signature in black ink, reading "Chris Skidmore". The signature is written in a cursive, flowing style.

Chief Executive of the Civil Service

The public sector is not immune to the threat that fraud poses and the damage that it does. Fraud means that we pay more to deliver public services, that those services can falter and the public loses confidence. The 2017 Crime Survey for England and Wales now names fraud as the most prevalent crime.

There has, therefore, never been a better or more appropriate time to focus on fighting public sector fraud. A crucial part of improving efficiency and effectiveness in public services is aggressively finding and reducing fraud losses to ensure we get the most from every pound of public money that we spend.

I am proud of the transparent and pro-active approach that this report represents. It is right that we are being open by publishing data on the known levels of fraud across government.

Fraud can feel like something we should be cautious talking about. However, I would encourage all organisations to be confident when talking about fraud. We should not see fraudsters targeting the public sector as our failing - everyone knows fraud exists. Public confidence comes in recognising that, admitting it and being open about measuring, detecting and tackling it. We should acknowledge the success of finding it and take the opportunity to learn and increase our effectiveness in preventing fraud in the future.

To help public bodies embrace this challenge the Cabinet Office, working with experts from across sectors, have produced a set of standards. These are the basics needed for organisations to deal with fraud. These were launched, by the Minister for the Constitution, in February this year and government organisations are currently working to get them in place.

Many public bodies are going beyond this by looking at new ways to fight fraud and the damage it causes. Increasingly, we are using data sharing and analytics to both find and prevent fraud. We are sharing knowledge and best practice across the public service, through an active network of counter fraud champions, and even going further, bringing together this best practice into guidance on key counter fraud activities.

Our vision for a Brilliant Civil Service is one capable of serving modern Britain, that truly reflects the people it serves and provides an opportunity for talented people to fulfil their potential, regardless of their background. To help deliver this, the Cabinet Office has brought government together to create and implement professional standards and competencies for those working in counter fraud, and is developing an exciting, new Government Counter Fraud Profession.

Everyone has a role to play in countering fraud and all parts of the public sector are at risk of fraud. We cannot be complacent. I urge public sector professionals to embrace this challenge, make yourself aware of how fraud can happen, really look for it and seize the opportunity when you find it. Challenge your own organisation and leadership to go further and actively look for fraud.

I hope what follows will inspire you to be curious about fraud in the public sector, and confident when dealing with it and playing your part in protecting public services and taxpayers' money.

John Manzoni
Chief Executive of the Civil Service and
Permanent Secretary to the Cabinet office



A handwritten signature in black ink, which appears to read 'J Manzoni', written over a horizontal line.

Executive Summary

Scope of Report

1. Dealing with fraud effectively is vitally important for the public sector:
 - fraud wastes taxpayers money, which means more money is spent than needs to be;
 - fraud results in public money not going to the places that it is needed most; and
 - fraud is a crime and should be treated as such.
2. This report focuses on fraud losses from central government¹, drawing on data collected by the Cabinet Office Centre of Expertise on Counter Fraud. The data set also includes some data on losses due to error, although it is recognised this is not as comprehensive as the fraud data.
3. The report focuses on fraud loss outside of the welfare and tax systems. This is because information on these areas is published annually by HM Revenue and Customs (HMRC) and the Department of Work and Pensions (DWP). The purpose of this report is to increase the focus on fraud risk and loss in the rest of government, where less is known. This follows the government's established approach and the National Audit Office's recommendation to continue in this direction and for the Cabinet Office to publish data on known fraud levels across government.
4. The report also provides an update on the work the government is undertaking to increase capability in the public sector to find and reduce fraud loss.

The Nature of Fraud

5. Fundamental to dealing with fraud is acknowledging that it exists. As an intentionally hidden crime, it can take considerable effort to uncover. This requires government to actively seek out fraud and to see it as a success when it is found. Public services and the public sector will always be targeted by fraudsters. Success is finding and understanding as much of this fraud as possible so that we can increase our defences to prevent fraud in the future.
6. On the basis of the data government has collected over the past three years, and the data collected by HM Treasury prior to this, it is the Cabinet Office's view that the amount of fraud currently being found and dealt with is lower than that seen in available comparators, such as the EU, USA and other sectors. This view was supported by the National Audit Office in their recent Fraud Landscape Review².
7. As such, the Cabinet Office is working with central government to find more fraud and will view identifying more fraud as a success in itself.
8. It is important to acknowledge that fraud is not a stable issue and many factors affect its prevalence. These include the control frameworks operated by public bodies, societal attitudes, and the increasingly international dimension to daily life and business.

¹ Excluding DWP and HMRC

² <https://www.nao.org.uk/wp-content/uploads/2016/02/Fraud-landscape-review.pdf> p.22

What the Data Says

Levels of Fraud

9. The government started a push to find more fraud in 2013/14 and progress is positive. The data, published in Part 2 of this report, supports this. **Detected** fraud within central government³ has risen from **£29.7m** in 2014/15⁴ to **£73.6m** in 2015/16. The amount of fraud that government is **preventing** has also increased, from **£9m** in 2013/14 to **£33m** in 2015/16.
10. The Cabinet Office believe the reasons for the increase in detected and prevented fraud are due to:
 - an improvement in the quality and comprehensiveness of reporting as a result of a focus in this area;
 - an increased focus on the risk of fraud across government; and,
 - a drive by the Cabinet Office to develop established methodologies for measuring prevented fraud.
11. It is also possible that the prevalence of fraud is going up across all sectors, including the public sector. The crime statistics published by the Office for National Statistics in 2016, included figures on fraud for the first time. We know that, following the introduction of a single reporting route for all fraud in the UK in Action Fraud, the UK has more recorded reports of potentially fraudulent activity than it has previously. However, it is not clear to what extent this indicates a rise the reporting and recording of fraud as opposed to a rise in instances of fraud itself.

Functional Activity Coordinated from the Cabinet Office

12. The Cabinet Office's Centre of Expertise undertakes a number of other activities to increase the recognition of fraud and increase the capability of the public sector to understand, find and prevent losses.

Random Sampling

13. Since 2014/15, government departments have been undertaking small scale Random Sampling exercises (see Part 3) to test the presence and level of fraud and error in specific areas.
14. In its first year the results were varied. However, the highest quality exercises identified significant losses, and 80% of exercises led to the introduction of improved counter fraud controls. In 2015/16, Random Sampling was run on a voluntary basis and the exercises undertaken were, in general, of a higher quality.
15. To date, the evidence supports the hypothesis that there is more fraud and error in those areas than is being detected through current activity.

Functional Standards

16. Government has developed Functional Standards for Counter Fraud Management (Part 4). These Functional Standards detail the basic counter fraud elements that

³ Excluding DWP and HMRC

⁴ The Government did not collect detected fraud and error data individually until 2014/15. In 2013/14 only a total fraud and error figure was collected.

central government bodies should have in place. These were publically launched by the Minister for the Constitution Chris Skidmore on 20 February 2017

Developing Counter Fraud Capability

17. Government's main policy approach to finding more fraud and dealing with it better is through developing counter fraud capability across government (Part 5).
18. This has three key aspects:
 1. Developing common, agreed standards;
 2. Developing an effective, value for money training and development regime; and
 3. Developing the infrastructure and governance to support and build a profession.
19. Government has made significant progress on this activity. It launched the Counter Fraud Framework in May 2015, providing a basis for a consistent approach to fraud management. Government has also developed a series of capability standards for those working in counter fraud, with six published to date:
 - Investigation;
 - Intelligence and Analysis;
 - Sanctions, Redress and Punishment;
 - Risk Assessment;
 - Counter-Bribery and Corruption; and
 - Leadership, Management and Strategy

Part One –

The Role of the Cabinet Office

- 1.1. The Fraud, Error and Debt Taskforce was established in 2010 and the Cabinet Office Fraud, Error and Debt (FED) team was established to act as its secretariat. Initially, the Taskforce focused on working with departments to launch a range of counter fraud initiatives. These were largely focused on tax and welfare, with a few cross-government initiatives, such as encouraging the use of Spend Recovery Audits.
- 1.2. From 2013 the Cabinet Office shifted its focus to wider central government spending. This involved carrying out research, including a capacity review, to understand the picture on fraud and associated error loss across the whole of central government. In 2015 the Cabinet Office FED team developed a Centre of Expertise for Counter Fraud and Error Reduction after the Taskforce closed.
- 1.3. The Centre of Expertise on Counter Fraud is responsible for understanding the cross-government picture on fraud. It works with departments and public bodies to make the government's response to fraud as effective as possible and is the policy lead for cross government counter fraud activity. This was acknowledged by the National Audit Office (NAO) in their Cross-government Fraud Landscape Review (2016)⁵, which positively acknowledged the role played by the Cabinet Office.
- 1.4. As the NAO stated, the Cabinet Office is the policy lead for fraud and leads on some cross government initiatives. However, departments manage their own fraud risk and undertake a significant amount of activity to implement, execute and audit controls to reduce the threat and risk of fraud.
- 1.5. The main goal of the Centre of Expertise in the Cabinet Office is to work with central government departments and experts from across sectors to identify and reduce financial losses due to fraud and error. This focus is on four core activities:
 1. Setting and supporting the adoption of standards;
 2. Building and providing access to capability in government;
 3. Developing and providing access to products and services; and
 4. Agreeing to and monitoring reductions in FED across government where there is identified systematic loss.

⁵ <https://www.nao.org.uk/wp-content/uploads/2016/02/Fraud-landscape-review.pdf>

Part Two - Background and the Fraud Iceberg

2.1. This section outlines:

- What fraud is; and,
- How the Cabinet Office explains and represents fraud in Government.

What is Fraud

2.2. Prior to 2013 there was no consistent agreed government definition of fraud for public bodies to report against. In 2013, the Cabinet Office worked with government departments to agree a fraud definition and typologies.

2.3. The agreed government definition for recording fraud draws on the legal definition as set out in the Fraud Act 2006 which states:

“The making of a false representation or failing to disclose relevant information, or the abuse of position, in order to make a financial gain or misappropriate assets”

Departments report against the definition using a civil test. They therefore consider a civil burden of proof in order to report something as fraud. This considers whether, on the balance of probabilities, an action or inaction was likely to have been taken with the intention of defrauding the taxpayer.

2.4. If, on the civil balance of probabilities, it is not judged to be an intention to defraud, the loss is considered an error. This occurs where inaccurate or incomplete information is provided, or incorrect processing of information takes place. For example, if an incorrect amount was paid, but on the balance of probabilities there was no intent to defraud, it would be classified as error. Error can be made by an official or any third party outside of government with whom there is a financial relationship.

2.5. This report focuses on fraud associated with central government expenditure other than tax credit and benefit fraud and error. It also includes error loss where that is recorded. It does not include fraud and error levels for local government, other sectors (e.g. the private or third sector) or fraud against members of the public.

2.6. The primary focus of this report is fraud. Measuring error can be more difficult due to the potential breadth of the definition of error. For instance, error can be incorrect decisions on funding arrangements, or unintentional over claims on contracts. However, one could also consider wider administrative mistakes like incorrect decisions on projects as error. The data on error in this report is not comprehensive, as the collection focuses on fraud loss.

2.7. Measuring fraud is inexact due to the subjective nature of the civil test. This report gives figures for both fraud and what the departments have classified as error

The Fraud and Error Loss 'Iceberg'

- 2.8. The work of the Centre of Expertise in the Cabinet Office has broken down the fraud and error challenge that government faces into two areas:

1. The problem that is known; and
2. The problem that is not known.

The government can deal with the problem that is known, as the loss associated with this is self-evident and can be used to evidence the need to change controls or evidence the need to undertake counter fraud activity. In these areas there are either detected levels of fraud and error or estimates for the overall level of loss (for instance, benefits and tax).

- 2.9. Dealing with the problem that we do not know about is more complex, as the loss is not self-evident. The challenge is to shine a light on those areas where information is poor or non-existent. Fraud is a hidden and evolving crime; fraudsters make themselves hard to find and adjust and improve their tactics for evading detection when organisations take preventative action.

- 2.10. Over the past few years, this Centre of Expertise has built up knowledge and collected data in order to understand the cross-government picture on fraud and error loss.

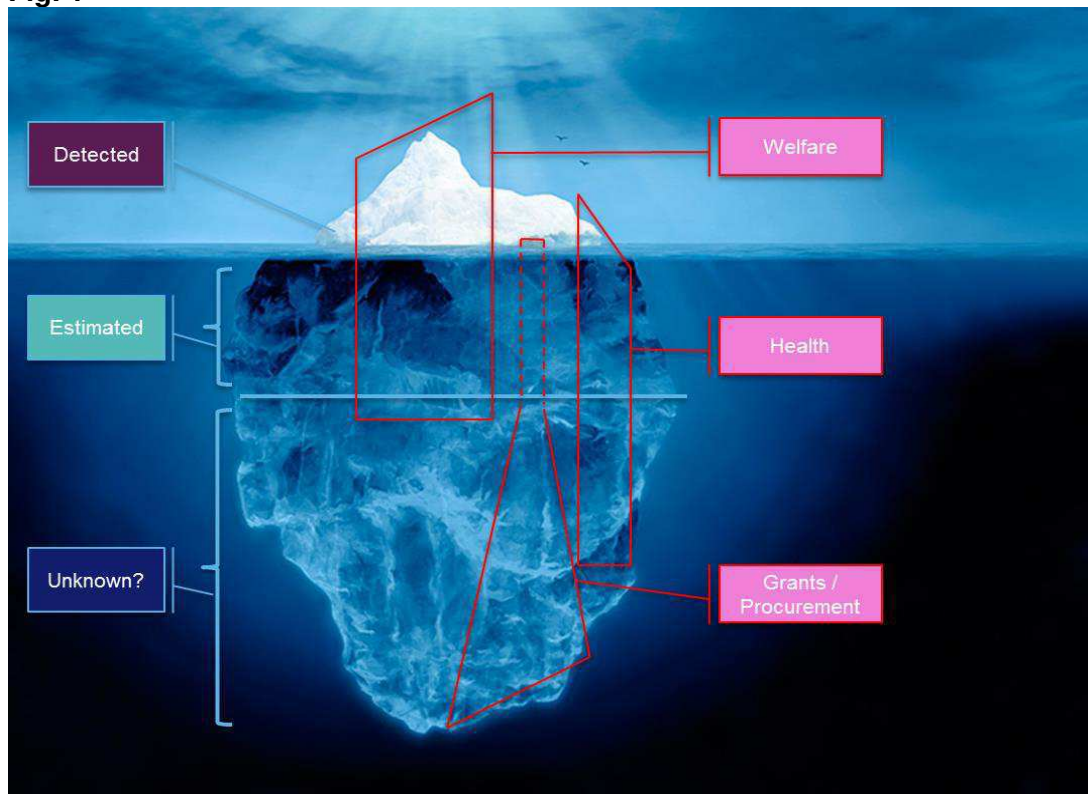
- 2.11. The NAO's Fraud Landscape Review, published in February 2016, concluded that:

1. the exact scale of fraud within government is unknown;
2. there is a large disparity between the level of fraud and error that is reported and the level that other available estimates suggest might be occurring, which needs explaining; and
3. government should publish an annual report on fraud and error data to increase transparency and awareness.

- 2.12. The Centre of Expertise use the Fraud and Error Loss Iceberg (Fig.1) to explain and represent fraud loss in central government. It includes losses in welfare, but does not include losses in tax. It illustrates the difference between the loss we know about (where we have detected levels of fraud or estimates) and the loss we do not know about.

- 2.13. The headings in Fig. 1 do not to represent actual size of loss in Grants/Procurement, Welfare and Health. They represent how advanced those areas are in terms of conducting measurement exercises and how much we know or do not know about loss in that area. For example, most of welfare is in the known section of the iceberg as their measurement process is mature, while grants/procurement is mostly in the unknown section as there have not been many measurement exercises on this area.

Fig. 1



- 2.14. The tip of the 'Fraud and Error Loss Iceberg', above the water line, represents detected fraud and error. The vast majority of detected fraud comes from the DWP and HMRC in the form of benefits and tax credits. The rest of the detected figures come from the Consolidated Data Request (CDR) collection, the data from which forms Part Four of this publication.
- 2.15. Just underneath the surface of the water is the loss we know exists because of estimates, but has not been detected. These loss figures are extrapolations from detected fraud and error loss found during loss measurement exercises. These extrapolations are most effective where deployed on a large population of spending that uses a similar process (such as benefits). Testing in more diverse areas can be difficult and expensive.
- 2.16. Only a few areas in government have the capacity and capability to estimate their losses. Again, the vast majority of the estimates are from benefits and tax credits. There are a limited number of other estimates of fraud and error loss in specific policy areas (for example, some areas of Health). We know these estimates only cover a small proportion of Government expenditure.
- 2.17. Together, detected and estimated fraud and error make up known loss (the problem that we know about).
- 2.18. Deep under the water is the unknown loss. The unknown area includes areas of spend where no estimates have been undertaken and no loss found and those where some loss has been detected, but there is likely to be more, as yet undetected, fraud and error loss.

- 2.19. For unknown loss, the Cabinet Office, alongside the Oversight Board (who oversee the Random Sampling Programme) use their professional judgment to assess the potential range of loss across all government spend that does not have an estimate. There is an upper and lower range:

The lower range is 0.5% of spending being irregular. This is what the Random Sampling Oversight Board considers to be of the lowest likely percentage level of loss that would be expected considering the available comparators.

The upper range is 4.02% of spending. The 4.02% figure is taken from the 2014 rate of Improper Payments in the United States, identified through loss measurement that was mandated in the United States of America Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012.

- 2.20. Government has concluded that:

1. Measuring certain types of fraud is inherently difficult, resulting in a trade-off to be made in respect of the time and the costs of doing so; and
2. It is hard for government to assess the extent and nature of potential fraud and the areas most at risk of loss given the lack of good quality data.

The NAO has supported these conclusions in their Fraud Landscape Review.

- 2.21. There is no hard evidence for the unknown figures. The range provided here should not be taken as an accurate assessment. Government does not know the true extent of the loss due to fraud and error in the public sector. Government's approach is to continue to understand more and more about the unknown loss, through finding more, and to take action to reduce the risk of loss.
- 2.22. However, the view is that there is likely to be significant unknown loss right across government and we should undertake activity to detect, prevent and recover losses.

Part Three – Tackling the Iceberg

Government Approach to Counter Fraud: Tackling the Iceberg

- 3.1. The government sees dealing with fraud and the risk of fraud in the public sector as an integral facet of delivering an effective government. When we consider the iceberg, the Cabinet Office express the approach as attempting to ‘push the iceberg up’ to increase our knowledge of risk and loss and, from that, take effective action to reduce it.
- 3.2. As such, we take action against the known loss and what we consider to be unknown loss.
- 3.3. A key part of dealing with the potential unknown loss is that it is hard to find. The government sees an increase in detected fraud as a positive. The government is seeking to find more fraud, both through detecting more and through carrying out more measurement exercises to estimate fraud and error loss in specific areas. The intention is that this will expose the unknown fraud and enable government to deal with it.
- 3.4. The Cabinet Office Centre of Expertise provides guidance to departments to help improve the way they manage fraud. Departments own the fraud risks in their areas. Collaboration is a core theme in the government’s approach to counter fraud.
- 3.5. There is more to do, but progress has been made already. Working across the public sector, in order to expose the extent of the iceberg, government has already:

- launched a set of 11 Functional Standards to set out, at a high level, the basic components that should be in place within central government organisations that spend over £100m (Part 6);
- focussed on improving accountability by making sure every department has appointed an individual accountable for fraud at board level and a counter fraud champion;
- increased the level of fraud and error reported, by the Centre improving the reporting mechanisms and departments shoring up their own collection process (Part Four);
- improved fraud measurement through the introduction of Random Sampling. (Part Five);
- created functional standards, that detail the basic components that should be in place in public bodies for the effective management of fraud (Part Six);
- started to create standards for counter fraud work carried out in government to improve capability because, as the NAO determined, capability and capacity varies between departments (Part Seven);
- the National Fraud Initiative, previously run by the Audit Commission, moved to the Cabinet Office;

the Cabinet Office has led on developing new legislation, intending to enable the sharing of data to detect and prevent fraud, as part of the wider Digital Economy Bill;

developed an understanding of the data analytics market and tested the sharing of and analysis of data using new technologies; and

promoted the use of data sharing and analytical techniques to share intelligence and detect more fraud.

Part Four -

2015-16 Fraud Loss Data

Fraud Data Collection

- 4.1. Departments first started reporting fraud and error data into the Cabinet Office in 2012 through the Quarterly Data Summary (QDS). The fields collected were Total Detected Fraud and Error and Prevented Fraud.
- 4.2. In 2013 the Cabinet Office worked with departments to agree fraud and error definitions and fraud typologies. In 2014/15 when the Consolidated Data Return (CDR) was introduced, departments were required to give more detail, in line with the agreed definitions. This included splitting fraud into defined categories and collecting data on recoveries. In 2015/16 the CDR replaced the QDS.
- 4.3. All central government departments and Arm's Length Bodies (ALBs) with over £100m spend return the CDR through their parent departments. There are five main categories reported through the CDR:
 - Detected Fraud – including a breakdown by typology;
 - Detected Error;
 - Total Detected Fraud and Error;
 - Prevented Fraud; and,
 - Recoveries.
- 4.4. All figures reported are gross, and recoveries are not netted off from the detected figures. All figures reported are detected or actual figures, and there are no extrapolations or estimates collected.
- 4.5. HMRC and DWP already publically report on fraud and error loss in benefits, tax credits and tax in significant detail. Consequently, they do not supply the Cabinet Office with any information relating to these areas of expenditure through the CDR.

Improvements to the data from 2014/15 to 2015/16

- 4.6. The data collected in 2014/15 was used by the NAO in their Fraud Landscape Review (2016). Since 2014/15, a number of steps have been taken to improve the quality of the data.
- 4.7. The 2014/15 prevention figures, used by the NAO, did not go through a verification process. In 2015/16 the Cabinet Office created a panel of experts to review public sector prevention methodologies. This panel signed off 98% of all prevention savings published in this document.
- 4.8. This additional scrutiny from the Prevention Panel provides more confidence in the integrity of the data. The panel is a group of cross-sector experts (public, private and third sector) that review and approve prevention methodologies in order to provide assurance around the savings reported. Departments are invited to the panel to discuss their reported prevention savings and the calculation methodologies behind

them. The panel will then either sign-off the prevention saving, request an alteration to the methodology, or remove the reported saving. The panel has also produced and recently circulated a 'bank' of prevention saving methodologies that departments can refer to when calculating their prevention savings.

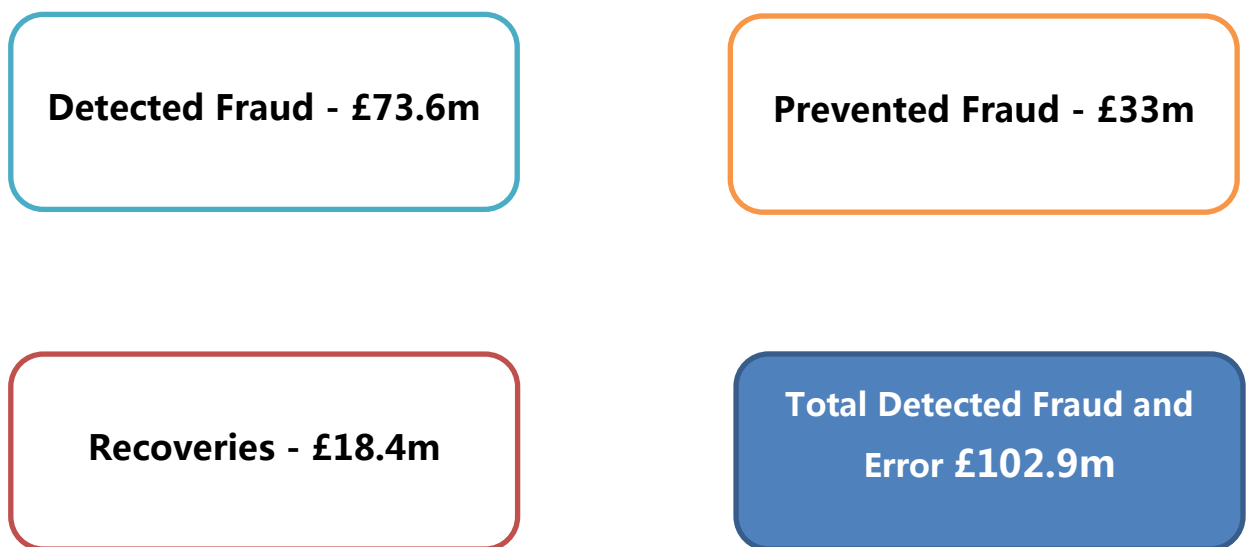
- 4.9. The NAO put an onus on departments, with support from the Centre of Expertise, to improve the quality and completeness of the data. Departments have worked hard to improve their data collection processes.
- 4.10. There has been a decrease in departments making a nil return for detected fraud. In 2014/15 six departments made a nil fraud return. This fell to only one department in 2015/16. Departments' increased experience should mean that the data continues to improve next year. An increase in the amount of fraud reported signals an increase in department's ability to detect and report fraud data; this is the key metric for measuring government's progress in this area.
- 4.11. The reporting process has been streamlined, with only one return being requested instead of two (due to the QDS being discontinued).

Data Limitations

- 4.12. It is challenging to have a complete set of data on known fraud for a number of reasons. For instance:
 - 1. The definition of fraud is subjective. The civil burden of proof requires departments and ALBs to make a judgment on whether an action is fraudulent or erroneous – the decision of one department could differ from another.
 - 2. Historically, as the NAO Landscape Review outlined, there has been little incentive for departments to report fraud. While the culture across government is changing, the appetite to detect and report a loss as fraud, rather than error, on the balance of probabilities may vary and in some cases be low.
 - 3. There have been cases in some departments where investigations into potential fraud have taken place, identifying departmental losses that were the result of error rather than fraud. In such cases, the figures were often not reported. This is due to the team investigating the case being concerned only with fraud, and as such, not looking to collect data on what turned out to be error.
 - 4. The Cabinet Office is aware that the quality of returns improved towards the end of the year as departments and ALBs began to improve on their processes for recording and reporting fraud. However, whilst some data can be retrospectively reported, some data from earlier in the year is likely to have been lost.
 - 5. The error part of the data is known to be incomplete – as the focus of the data collection is on fraud and departments process for collecting data on loss from error are not as developed as those for collecting fraud, following the cross government focus on improving the data held on fraud loss. As the focus of this reporting is to enable government to better understand the picture on fraud, this is accepted as a limitation.

Levels of Fraud and Error

Fig. 2. Key 2015-16 Fraud CDR Figures^{6 7}



⁶ Excluding DWP, HMRC and Local Government.

⁷ DFID specific recoveries on fraud and error were £2.80m. Figure supplied at the department's request.

Fig 3. Detected Fraud by Department 2015-16 (includes ALBs figures)

Department	Expenditure	CDR Fraud	Detected	CDR Detected and Error	Total Fraud
	(£m)	(£m)		(£m)	
Department for Business Innovation and Skills	21,429	17.38		17.64	
Cabinet Office	743	0.00		0.48	
Department for Communities and Local Government (excluding grants to Local Authorities)	5,933	0.20		0.25	
Department for Culture, Media and Sport	1,679	0.33		0.60	
Department of Energy and Climate Change	5,531	0.17		1.20	
Department for Environment, Food and Rural Affairs	4,959	0.32		4.03	
Department for Education	57,280	1.45		5.99	
Department for International Development	8,742	3.20		5.05	
Department for Transport	21,250	0.38		4.20	
Department of Health	117,250	6.54		7.99	
Foreign and Commonwealth Office	2,382	0.02		4.89	
Home Office	14,084	0.89		3.31	
Ministry of Defence	35,300	18.27		18.27	
Ministry of Justice	9,560	24.44		28.79	
HM Treasury	702	0.00		0.22	
Total	306,825	73.6		102.9	
Department of Work and Pensions (excluding Benefits)	6,660	0.64		0.6	
HM Revenue and Customs (excluding Tax Credits)	3,527	0.14		1.51	
Total	317,011	74.38		105.07	

Fraud Trends: 2014/15 - 2015/16

- 4.1. The government is making good progress in finding more fraud. Reported fraud more than doubled from 2014/15 (£29.7m) to 2015/16 (£73.6m).
- 4.2. Reported fraud prevention savings rose steadily (by £5.5m) in 2015/16 after previously tripling from 2013-14 (£9m) to 2015-16 (£27.5m). As explained in paragraph 4.8, there is greater assurance around this year's figures than there has been previously.
- 4.3. Total Detected Fraud and Error⁸ (£102.9m) in 2015/16 rose significantly against its comparator from 2014/15, 'true' Detected Fraud and Error (£72.9m). 'True Detected' was a metric developed by the Cabinet Office in 2014/15 to increase the accuracy of the fraud and error numbers, and used by the NAO in their 2016 publication. As the quality of data increased in 2015/16, this metric was no longer needed. For more information on 'true detected' see Annex A.
- 4.4. Recoveries dropped by a third in the same period, from £27.3m in 2014/15 to just £18.4m 2015/16. Further analysis has shown that the fall in recoveries was due to a large recovery in 2014/15, which had a disparate impact. For more information see Annex B.

Fig. 4 **2014/15 – 2015/16 Data Comparison**

£m	2014/15	2015/16	Difference	% Difference
Fraud Loss	29.7	73.6	43.9	148.2%
Error Loss	28.7	29.3	0.6	2.3%
Total Detected	72.9	102.9	30.0	41.2%
Prevented	27.5	33.0	5.5	20.1%
Recoveries	27.3	18.4	-8.9	-32.5%

Trends 2013/14 – 2015/16

- 4.5. Fig. 5 & 6 below show the trend in the data over the past three years. It is coincidental that four of the five trend lines start from a similar value in 2014/15. In 2013/14 the only data that was being collected was Total Detected Fraud and Error (£43.3m) and Prevented Fraud (£9m). The graphs show a steady increase across all fields except for Recoveries. Further information on collected and published fraud data from 2006 to present, can be found in Annex C.

⁸ Excluding DWP and HMRC

Fig. 5

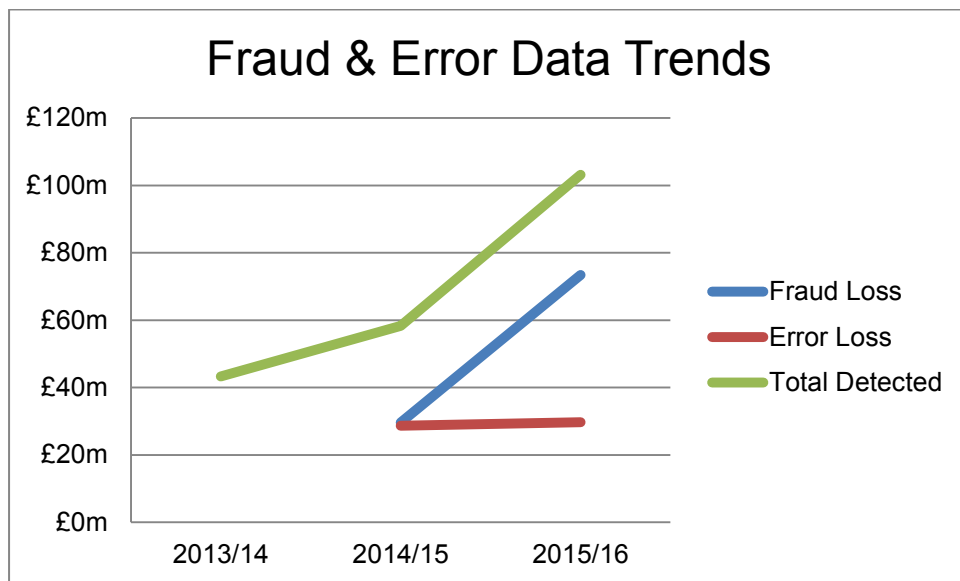
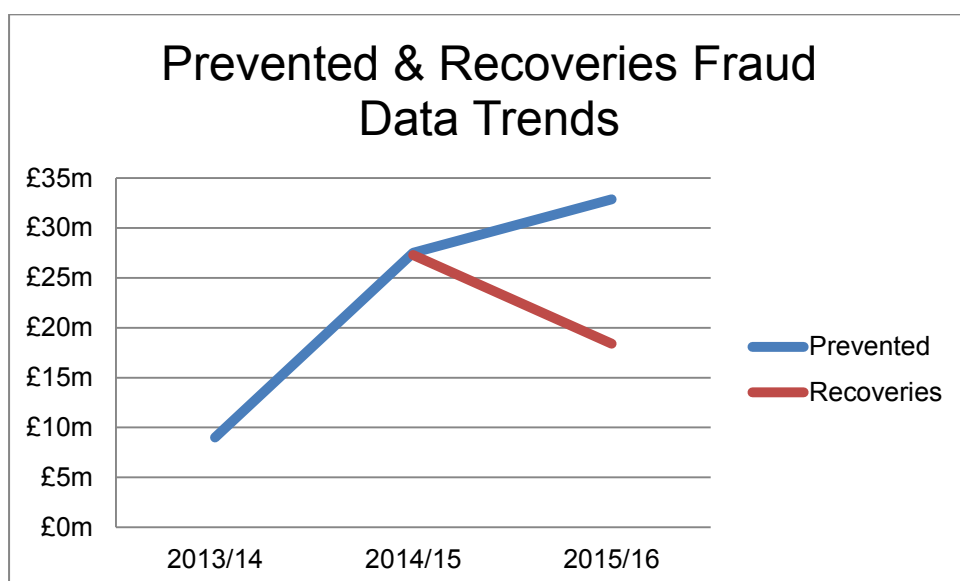


Fig. 6



4.6. Over the next few years, the Cabinet Office will work with government departments to try and continue the increase in detected and prevented fraud.

Part Five – Random Sampling

- 5.1. Random Sampling is a targeted fraud detection and measurement exercise programme that has been running since 2014.
- 5.2. The purpose of Random Sampling is twofold. Firstly, it is to test the 'iceberg' by investigating potentially high risk areas of spend to see if there are undetected losses in those areas.
- 5.3. Secondly, Random Sampling is used to broaden the range of estimated losses known to government by measuring new areas within the 'unknown' section of the fraud iceberg, and to determine the likely extent of those losses. This tests both the current theory of fraud in government, represented by the 'iceberg' and steadily increase our knowledge of fraud loss and risk in Government.
- 5.4. Random Sampling exercises report "irregularity" which includes fraud and error, as the distinction between a fraud and an error often requires more detailed investigation.
- 5.5. Random Sampling exercises include testing a random selection of payments against assessed fraud risks, with a view to extrapolating the irregularity rate to give an estimate of losses in those areas. Following the development of a proposal for Random Sampling exercises to be undertaken across government in 2014, departments agreed to undertake them.
- 5.6. DWP and HMRC were not requested to participate, as they already undertake extensive irregularity measurement activity, which is reported publically.

Programme Development

- 5.7. In 2014, the Cabinet Office invited a wide range of cross-sector experts to form a working group, tasked with developing a best practice framework for undertaking Random Sampling in the public sector. Government experts led this work alongside the NAO and external specialists including Ernst & Young, PricewaterhouseCoopers and KPMG. The best practice framework gave instruction on how to select an appropriate area of high risk to test, how to assess that area in detail for fraud and error risk, and how to report the irregularity detected.
- 5.8. The Cabinet Office established a panel of experts in Random Sampling to provide an independent quality review of the exercises undertaken by departments against the agreed framework. The Expert Panel, and the programme as a whole, is overseen by an Oversight Board, which brings together experts from the Department of Health, NHS Protect, NAO, DWP,

DEFRA and HMRC. The Oversight Board has an independent chair from outside the Public Sector.

- 5.9. Those undertaking Random Sampling exercises submit their progress to the Expert Panel at certain stages. The exercises are reviewed and a rating of Gold, Silver or Bronze is recommended. These are based on the comprehensiveness of the evidence used for validation, how thoroughly fraud and error risks have been assessed and pursued, how much the testing focussed on residual risk rather than control failure and high quality sampling methodologies.

The Programme

- 5.10. In 2014/15 departments were requested to complete two exercises on areas of perceived high risk. 28 exercises were undertaken across a range of areas..
- 5.11. 12 of the 28 exercises in 2014/15 found irregularity. The quality of exercises varied depending on what sampling methodologies were used and to what extent the testing looked at whether risks were occurring as opposed to whether controls were in place. The exercises provided an annual irregularity estimate of £79 million across the payment areas tested. However, low sample sizes used in the exercises, and varying quality of exercises means this can only be given with low confidence.
- 5.12. For 75% of the exercises, improvements to controls were made as a result of the random sampling.
- 5.13. For 2015/16, the Oversight Board requested only one exercise per department. After receiving feedback from participants in 2014/15, the Cabinet Office Centre of Expertise also offered more intensive support, running workshops with departments throughout the year.
- 5.14. Eight of the ten exercises for 2015/16 found irregularity. From these exercises the estimate of irregularity is £53 million per year. This estimate is of a higher precision than that in 2014/15, as sampling methodologies were more secure overall. However, confidence in the estimates remains low.
- 5.15. 60% of the exercises resulted in control improvements. However, two of the areas tested have now ceased taking new applicants, resulting in limited opportunity to make improvements.

Case Study – Start Up Loans Company

We participated for the Department of Business, Innovation and Skills in both of the first two Random Sampling programmes, and we are working on another exercise this year. The first year the team received a Bronze rating. In 2015/16 we team took a much more systematic approach, obtaining a Silver rating. Both exercises have given us excellent insight into the risks we face, and this has enabled the organisation to make big improvements in our fraud risk management.

The team have learned which application types have the highest rates of irregularity and the types of data checks that are the most vital to identifying irregularity. We also discovered that fraud and error could have been prevented if delivery partners had been able to flag high risk indicators. Work to ensure they are spotted in the future was recently completed resulting in considerable preventative savings.

- 5.16. The 14/15 and 15/16 exercises support the hypothesis that there is undetected fraud and error in the “unknown” area of the fraud iceberg, and that Random Sampling, if done well, can add value. The Cabinet Office Centre of Expertise continues to work with departments to build the capability in fraud risk assessment that is necessary to target the areas of highest risk and to improve testing methodologies. The programme for 2016/17 is currently being completed and work is ongoing to increase the level of participation from 2015/16.
- 5.17. Government started with a limited number of random sampling exercises to demonstrate value and to test the ‘iceberg’ theory. The first year suggested that good quality exercises in high-risk areas found loss. The second year focused on fewer, higher quality exercises. The Government sees value in this work, the quality of the exercises are improving and it is helping government find fraud and error loss.

Part Six – Functional Standards for Counter Fraud

Background

- 6.1. Fraud can happen anywhere in government. As such, skills and capability need to be spread across government while they are still targeted in high risk areas. All areas of government have to draw on counter fraud resources at some point. Counter fraud can be seen as a cross-government function. Functions exist to help government effectively deliver policy and services by building collaborative relationships across government and bringing specialist skills and crosscutting perspectives.
- 6.2. Government has developed a set of functional standards (fig. 7) for counter fraud to ensure the minimum components are in place to help protect government from fraud. These complement the increased counter fraud expertise and capability being built through the Counter Fraud Profession. The Functional Standards were launched by the Minister for the Constitution Chris Skidmore MP in February 2017.

The Functional Standards

- 6.3. The Functional Standards are the basic components that an organisation should have in place in order to effectively deal with fraud. The Standards are designed to be easily accessible and understandable to non-specialists in counter fraud.
- 6.4. The Functional Standards represent the common fundamentals that organisations should have in place; they do not represent an exhaustive list of all of the activities an organisation should or can undertake to counter fraud. They are designed to help reduce inconsistency in approach and show common activity, whilst maintaining a departmentally led, risk based approach.
- 6.5. It is the intention of Government in line with the transparency agenda to publish in this report every year which departments are meeting the Functional Standards.
- 6.6. The standards were developed by experts from across government, and then refined and agreed on with experts from other sectors and academia. The standards were then agreed across government with departments.
- 6.7. The standards collate existing guidance from Managing Public Money and other activities that departments were undertaking. These standards are a starting point and will evolve over time.

Fig. 7

All organisations that spend over £100m will:

1. Have an **accountable individual** at Board level who is responsible for counter fraud;
2. Have a **counter fraud strategy** that is submitted to the centre;
3. Have a **fraud risk assessment** that is submitted to the centre;
4. Have a **fraud policy and response plan** detailing where accountability for fraud lies within the organisation, its delivery chain and how the organisation reacts to potential instances of fraud;
5. Have an **annual action plan** that summarises key actions to improve capability, activity and resilience in that year;
6. Have **outcome based metrics** summarising what outcomes they are seeking to achieve that year. For organisations with 'significant investment' in counter fraud or 'significant estimated' fraud loss, these will include metrics with a financial impact;
7. Have well established and documented **reporting routes for staff, contractors and members of the public** to report fraud suspicions, and a mechanism for recording these referrals and allegations;
8. Will **report identified loss** from fraud and error, and associated recoveries, to the centre in line with the agreed Government definitions;
9. Have agreed **access to trained investigators** that meet the agreed public sector skill standard;
10. Undertake **activity to try and detect fraud** in high risk areas where little or nothing is known of fraud levels, including using loss measurement activity where suitable (i.e. using the Random Sampling program);
11. Ensure all **staff have access to fraud awareness training**.

Part Seven - Building a Government Counter Fraud Profession

Background

- 7.1. Fraud has become increasingly complex. Tackling it therefore requires a response that goes beyond traditional investigative methods. Disciplines and skill areas such as intelligence handling, risk assessment, data analytics and setting a strong counter fraud culture (amongst others) are becoming increasingly important. The effective delivery of the disciplines requires access to a diverse set of skills and experiences.
- 7.2. The 2016 Fraud Landscape Review (National Audit Office) highlighted that capacity and capability in government to manage fraud was mixed. In response, the Cabinet Office is now working with people and organisations across the public sector to build a Government Counter Fraud Profession. The profession will become recognised across government as a membership body that will increase:

the capability within government to deal with fraud and corruption;
the quality of counter fraud work carried out in government; and
consistency across government organisations in their approach to counter fraud.

Governance

- 7.3. The Government Counter Fraud Profession is led by the Counter Fraud Professionals Board, who own and sign off the work that is conducted and completed. The Professionals Board contains counter fraud specialists from across the public sector, with representation from departments including DWP, Home Office, MOD, HMRC and DH, as well as the National Crime Agency, the Crown Prosecution Service, the Serious Fraud Office and the Government Internal Audit Agency.
- 7.4. The Board leads the development of the profession and this is facilitated through the support of the Cabinet Office Centre of Expertise. The three key areas that the Board oversees are:
 1. Developing common, agreed standards;
 2. Developing an effective, value for money training and development offer; and
 3. Developing the infrastructure and governance to support and build a profession.

- 7.5. The Board's agreed vision for the Profession is:
- to provide leadership and bring the public sector counter fraud community together and to set and maintain standards for counter fraud work that are accessible to all;
 - to work together to create an internationally recognized, competent and sustainable counter fraud profession that we are proud of, by:
 - addressing the capability gap;
 - increasing consistency in approach; and,
 - raising standards.
- 7.6. A number of additional oversight bodies have been put in place to provide scrutiny and support. For example, a Cross Sector Advisory Group with public and private sector representation has been established to provide scrutiny and support. A training and skills committee oversee the development of training and development offers. The Professional Committee is a cross government group that meet with a focus on strategic thinking to help develop the Counter Fraud Profession. All of these (and other) bodies are subsidiary to the Professionals Board and answer, ultimately, to it.

Developing Standards

- 7.7. One aspect of developing the Counter Fraud Profession is developing Professional Standards and Competencies. These are being created against the Counter Fraud Framework, which was launched in 2015, in conjunction with specialist from across government departments. The framework provides government with the basis for a consistent approach to fraud management across a range of common disciplines and sub-disciplines.

Fig.8

The Counter Fraud Framework



- 7.8. Each aspect of the Counter Fraud Framework is being developed into a set of professional standards and competencies. These detail the skills, knowledge and experience expected of those working in the specific area. We have also developed guidance on processes and products against each discipline for organisations to have an effective counter fraud response.
- 7.9. The general organisational level of the framework reflects the need for all staff to have a certain level of awareness of the risks and types of fraud and how these may be identified. The Functional Standards are written at the organisational level.
- 7.10. The professional standards and competencies for each discipline outline the core skills and competencies required for these areas, such as intelligence, investigation, prevention and detection. The sub-disciplines are areas of related content where counter fraud specialists need additional knowledge to build upon their existing skills. For example, bribery and corruption will add to an investigator or risk assessor's core skills and competencies.
- 7.11. Currently, skills, resources and existing standards and guidance across government are highly focused on investigative work. This needs to change to improve government's overall counter fraud capabilities. The standards are an important part of diversifying capability.
- 7.12. The professional standards and competencies are important, as they will help to increase capability, which will improve government's response to known fraud. They will also provide greater insight into and evidence of unknown fraud, through improving understanding of fraud risk and enhancing skills for proactively detecting fraud. The intention is that this will help to not only deal with fraud where it is found, but also to move increasingly towards preventing it.

Progress

- 7.13. Standards already existed in investigations and intelligence, both at the civilian and policing levels. The Professionals Board focused on aligning the standards, updating them with latest practice and ensuring their accessibility. In other areas, such as Leadership, Management and Strategy, the Professional Board found that there is little consistent and agreed content available. As such, it has developed standards in their entirety.
- 7.14. As of the end of December 2016, the Professionals Board had approved the following sets of standards:
- Investigation;
 - Intelligence and Analysis;
 - Sanctions, Redress and Punishment;
 - Risk Assessment;
 - Functional;
 - Bribery and Corruption; and
 - Leadership, Management and Strategy.

Establishing a Fraud Profession - Training, Development and Improving Capability

- 7.15. The Professionals Board is supported by an operational Training & Skills Committee (TSC), who will work on using the standards to ensure diverse and value for money training and development for those working to the standards.
- 7.16. The TSC is researching existing training in the public and private sectors. The TSC is also working with partners in law enforcement and the public sector to map the standards to existing qualifications. A mechanism to provide accreditation and assurance for the quality and provision of training for government, as well as tools to help monitor the capability development of those completing training will then be developed.

Annex A

The 'true detected' figure was developed by the Cabinet Office Centre of Expertise for the NAO's Fraud Landscape Review. It was calculated using the most accurate 2014/15 data from either the QDS or the CDR, plus figures that were not reported in either return but appeared in other published reports and exercises.

The true detected methodology will not be used again because reporting by departments has improved significantly and the QDS is no longer used to collect data.

Annex B

Trends without Anomalous Figures

When comparing the data from different years it is important to set it within context. Periodically there will be larger, anomalous cases in one of the data fields, which can skew the results and inflate the progress made in improving detection and reporting. This leads to unrealistic expectations for progress for the following year and creates distorted results when comparing data between years. For more information on anomalous figures and the results of the data excluding them see Annex C.

When the anomalous figures are removed below, there is a much steadier increase in the data compared to Figs. 5 & 6.

Fig. 9 Data without Anomalous Figures

£m	2014/15	2015/16	Difference	% Difference
Fraud Loss	29.7	50.9	21.2	71.5%
Error Loss	14.3	29.3	15.0	105.4%
Total Detected	58.5	80.2	21.7	37.1%
Prevented	17.6	21.5	3.8	21.7%
Recoveries	12.9	18.4	5.5	42.8%

There were five anomalous figures removed from the data; one from detected fraud, error, and recoveries and two from prevented fraud.

Trends 2013/14 – 2015/16 without Anomalous Figures

In 2014/15 almost half of detected error and recoveries came from one event; an error that was discovered immediately and subsequently recovered. This caused these fields to be relatively larger than expected when compared to the 2015/16 data. As seen below, all fields now have a more consistent increase.

Fig. 10

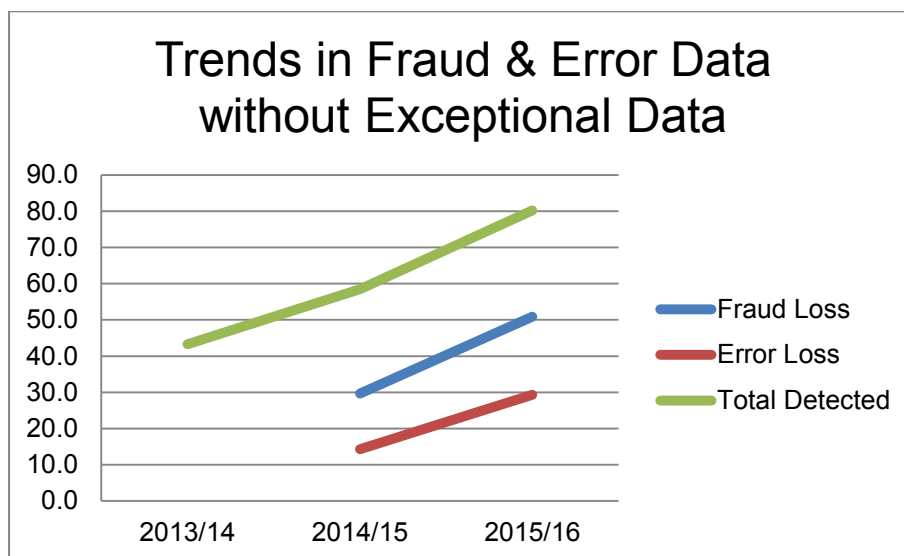
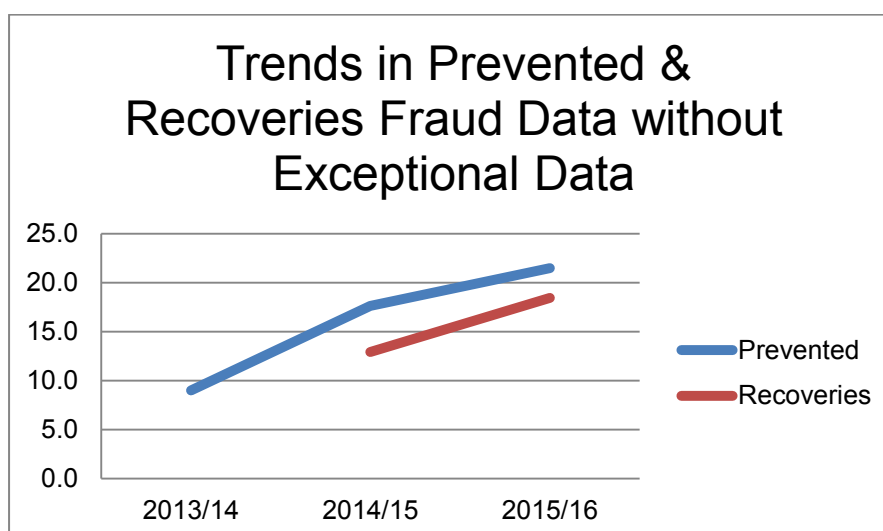


Fig. 11



The government's view is that the increased level of detected fraud and error are a positive development. The government, and the NAO, believe the levels of detected fraud are likely to be below the actual levels at this point in time, when comparators are considered.

The government can only tackle the fraud that is known. Therefore, the more fraud that is detected, the more government can do to recover the monies and put measures in place to prevent the fraud from happening again.

Annex C

Published Cross Government Fraud and Error Data 2006 - 2009

The data below is from cross government fraud publications by HM Treasury, the NAO and the Cabinet Office.

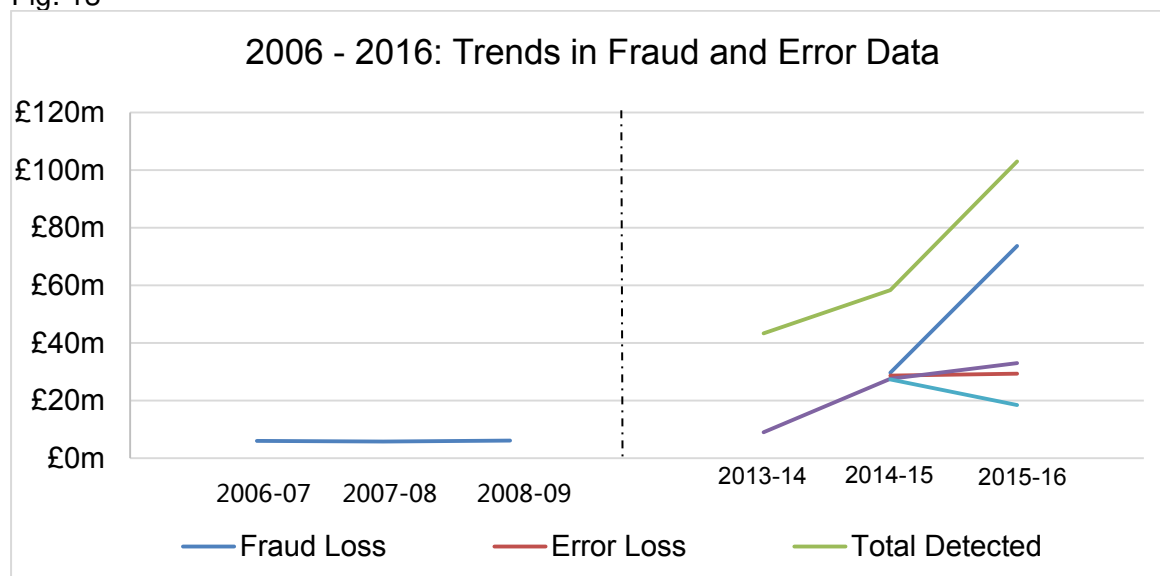
The data shows how the collection of fraud data has expanded from just collecting detected fraud data from 2006 to 2009 to collecting detected fraud, detected error, prevented fraud and recoveries from fraud and error from 2014. No detected fraud and error data was collected between 2009 and 2012. An estimated figure for fraud in government was published by the National Fraud Authority in the Annual Fraud Indicator from 2011 to 2013; as these are estimated figures they are not included in Fig. 12 or Fig. 13.

The data also shows an increase in amount being reported in most of the reported fields.

Fig. 12

£m	2006-07	2007-08	2008-09		2013-14	2014-15	2015-16
Fraud Loss	6.1	5.8	6.2			29.7	73.6
Error Loss						28.7	29.3
Total Detected					43.3	58.3	102.9
Prevented					9.0	27.5	33.0
Recoveries						27.3	18.4

Fig. 13



Notes

- 2006-2009 figures are taken from the HM Treasury 'Fraud Report' series that was published for three years. This data is made up of reported detected internal fraud data and reported external detected fraud of more than £20k.

- The 2013/14 data is taken from the Quarterly Data Summary (QDS). It includes collected total detected fraud and error and prevented fraud data.
- The 2014/15 data is taken from three different sources: the QDS (prevented fraud); the Consolidated Data Request (detected fraud, detected error and recoveries), and; 'true' detected fraud and error (total detected).
- The 2015/16 data is taken solely from the CDR.



HM Government

This information is also available on www.gov.uk

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Audit Committee

Item No.

Report title:	Norfolk County Council's Insurance Cover
Date of meeting:	23 January 2018
Responsible Chief Officer:	Executive Director of Finance and Commercial Services
Strategic impact The Council's Constitution includes in the Audit Committee's Terms of Reference (part 4.4) for risk management to, 'Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the council and ensure that the Full Council is kept sufficiently informed to enable it to approve the Council's risk management Policy and Framework and that proper insurance exists where appropriate. Providing insurance cover is one of the accepted methods of reducing the impact of risks to Norfolk County Council. The payment of a premium to an insurer, thus offsetting the risk allows the Council to purchase protection against a breach of its duty where the insurer will indemnify the organisation against financial loss.	

Executive summary

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

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

Recommendations:

Committee Members are asked to:

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

1. Proposal (or options).

- 1.1. Audit Committee members requested that they might have an annual report containing information about the insurance cover that is in place for Norfolk County Council.

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

2. Evidence.

- 2.1. There are many risks that Norfolk County Council face in delivering the services that it is required to deliver. When risks have been identified there are a number of industry accepted methods to treat or mitigate these risk.
- 2.2. There are four accepted methods to treat and mitigate identified risks:
- **Avoid:** Decide not to start or continue with an activity that gives rise to the risk. Stop the activity or find a different way of doing it. The application of this option is often limited, especially in terms of strategic risks.
 - **Reduce:** Take actions to reduce the impact, e.g. contingency arrangements. Take action to reduce the likelihood e.g. alternative systems, increased training, physical improvements to premises etc.
 - **Tolerate:** One example of the value of risk management is recognising that it may be appropriate to place an activity 'at risk' yet continue with it.
 - **Transfer:** Share the exposure, either totally or in part, with a partner or contractor, or through insurance.
- 2.3. Risk transfer is usually accomplished through the use of an insurance policy, although not exclusively. This is at its most basic, a voluntary agreement between two parties, the insurance company and the policyholder, in this case Norfolk County Council. In such an agreement the insurance company takes on strictly defined financial risks from the policyholder. If an event occurs that is covered by the insurance policy, the insurance company will make good the agreed financial loss.
- 2.4. For providing this type of cover against loss the insurance company charges a fee, or insurance premium, for accepting the risk. In addition there may be deductibles, reserves, reinsurance and other financial agreements that modify the financial risk the insurance company takes on.
- 2.5. Not all identified risks are insurable, non-insurable risks are risks that an insurer is not willing to take on because the future losses cannot be estimated. Examples of non-insurable risks would include criminal prosecution, loss of reputation and risks around political decision making.
- 2.6. Most risks that are identified can be insured against. However the cost of insurance, the premium charged by the insurer, will reflect the level of risk the insurer believes they are taking on. The premium is very dependent upon the claims history of the particular organisation and how effective risk mitigation measures are that have already been implemented.
- 2.7. The cost of cover or the premiums are also dependent upon the level of deductible (excess) that is attached to the policy. The greater the excess generally the lower

the cost of the cover will be. The policyholder will be responsible for the full costs of any claim up to the excess, and where a claim is above the excess the insurer will be responsible for the balance.

3. Insurance provision.

- 3.1 Until 1992 Norfolk County Council was insured with “Ground-up cover”, this is where the insurer takes on the full risk of the cost of any claim settlement. The Council did not carry any deductible and as such premiums were set at a high level. In 1993 it was agreed that on the Liability policy the Council would carry a deductible of £100,000 per claim.
- 3.2 As a result of this decision a fund was required to cover the element of the self-insurance to the £100,000 level. Since the mid 1990’s our deductible across liability and motor policies has been increasing to the current £255,000, with property at £250,000. The result of the higher levels of deductibles is that insurers can reduce the risk they have to cover and thus reduce the costs of premiums they charge as the fund is used to cover settlements up to the levels of the deductibles.
- 3.3 Where the insurer takes on the full risk of the claims, under the Ground-up cover scheme, it is the insurer who will take conduct of the claims and make all decisions around the claim. The insurer will investigate, review and decide upon liability, making their recommendations to the insured. Where there is a deductible the insured will have responsibility and conduct for the claim and is responsible for all decisions made up to the value of that deductible, although in some significant cases the insurer may also be involved in decision making. This process gives the insured much more control and certainty over the settlement of claims.
- 3.4 Norfolk County Council carries a number of different insurance policies, some that are a legal requirement others that are out of necessity.

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

- **Employers Liability** – As an employer the Council has insurance against claims from employees for breach of our duties towards them. The insurance will allow the Council to meet the costs of compensation for injury or illness as a result of the actions or inactions of the Council. Currently the limit of indemnity on this policy is £50 million with an excess of £255K
- **Public Liability** – This policy covers members of the public (non-employees) against claims for breach of duty or where the Council is the occupier of a premises that the public have a right of access to. This policy would also cover claims made against the Council for incidents relating to the Highway. Currently the limit of indemnity on this policy is £50 million with an excess of £255K.
- **Property or material damage insurance** – Cover for material damage to the Council’s property and contents of such properties as a result of applicable perils. Currently the limit of indemnity on this policy is the individual property valuation assessed by NPS with an excess of £250K.

- **Motor insurance** – Cover for any motor vehicle which is the property of or in the custody of or control of the council. Currently the limit of indemnity on this policy is £50 million with an excess of £255K.

3.5 Some of the additional policies that the Council currently holds are as follows:

- **Airside cover** – Cover for incidents on the airside (live side) at an 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.
- **Fine Art All Risks cover** – Cover for art and collectables owned or on loan to the council.
- **Travel insurance** – Cover for all authorised trip members worldwide, including specialist medical assistance.
- **Professional Indemnity** – Covers financial loss as a result of acts or omissions in the professional services provided by the Council.

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

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

3.8 Premiums are paid on an annual basis to the insurer to purchase cover for the designated period. In addition to the premium we have to pay tax on all insurance policies purchased.

3.9 Currently the Property damage policy is in the tender stage with the insurance market. The current policy with AIG comes to an end on 31 March 2018 and will be renewed for 1 April 2018 once the full tender process and award has been completed. The Insurance Team is working closely with our Procurement Team and our broker, Aon to ensure the best possible outcome.

4. Claims Handling

4.1 Being self-insured to the level of £255,000 (£250,000 – property) means that the Insurance Team has full conduct of all claims that are valued below that figure and have the capacity and experience to make final decisions on all such claims.

4.2 All areas of claims brought against the County Council are handled in-house by a dedicated professional team of claims investigators and managers, including those claims that ultimately become litigated. The Insurance Team has been managing claims for over 20 years and has considerable experience in all classes of business. Being in-house means that there is ready access to the appropriate officers and

Senior Managers in departments against which claims have been brought and access to IT systems and electronic data as required. Data that is stored is available to investigators without special permissions as it remains within the Council being used for Council activities.

- 4.3 Claims can be brought against the Council in a number of ways, a claimant in person may complete a claim form or write a formal letter of claim, claims may come in through the Ministry of Justice portal which is a mechanism that allows solicitors to bring claims electronically with specific fixed costs or directly from a solicitor through a traditional letter of claim. Once the claim has entered the system it is allocated to the appropriate level of handler for investigation and response.
- 4.4 As noted, each claim is allocated to a specific handler who is managed by a Claims Manager. The Claims Manager carries out regular audits on claim files and authorises all payments to ensure there is a consistent approach to claims handling throughout the team.
- 4.5 Norfolk County Council receives approximately 2500 claims a year. Nearly 1000 of these are liability claims, the majority of which are brought as Public Liability claims. These claims include alleged slips and trips on the highway, damage to vehicles and claims arising from alleged failures in both Children's and Adult Services. A small number of claims are 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.
- 4.6 All claims on the Motor Policy will be related on an incident involving one of our vehicles, some will have a third party involvement where our vehicle has collided with a vehicle or property owned by the third party. All property claims will relate to damage to a property owned by the Council. Motor claims are averaging just under 900 a year and Property claims are averaging just under 500 a year.
- 4.7 Claims are reserved (the potential cost of settlement, should it be necessary, including all potential legal costs) against the information provided by the third party. Where a claim reserve is higher than the excess the insurer has a right to take over conduct of the claim, working alongside the claims handler and Manager, to ensure an appropriate outcome.
- 4.8 All liability claim allegations must be associated with a breach of statute. It is for the claimant to bring the allegations of what statute/s they consider have been breached and for the claims handler to fully investigate the allegations and determine if the Council does have a defence or if there is a legal precedent (case law) to consider.
- 4.9 Where there are property damage claims the team act as the loss adjustor and provides immediate recovery provisions. This will include, particularly in flood and fire circumstances, managing recovery experts to ensure the property is returned to the pre incident condition as soon as possible. The team will liaise with the occupiers and the specialists to ensure that the service delivery disruption is minimised. This will also include working with contractors and NPS where building works are

necessary. Where property damage exceeds the excess we will work with the insurer and the nominated Loss Adjuster to ensure the best possible outcome for the organisation.

- 4.10 Where a claimant or the claimant's representative is dissatisfied with a denial they are able to refer the claim to the 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 attend court to support our witnesses. Whilst in court they will record the salient points of the case for future learning.
- 4.11 Denial rates (closing a claim with no payment to the third party) forms part of the suite of KPI's for the Insurance Team. Currently the rate for Employers Liability denials is at 60% (it should be noted that this figure is based on a very small sample as there are on average, less than 50 of this class of claim per year). The overall Public Liability denial rate (including highway related claims) is 75%. Both of these are considered by our external solicitors to be excellent outcomes. Clearly denial rates are very dependent upon what the individual departments and teams are doing and what policies and practices they are working to. Claims can only be defended and denied if there is sufficient documentation and evidence to prove the Council has complied with all that is required to do.
- 4.12 Where a claim has to be settled the Claims Manager and claims handlers 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.
- 4.13 As part of the handling process a number of fraud indicators are checked at each stage in the life of the claim. Where there are concerns further investigation and checking is undertaken. The insurance industry is seeing fraudulent claims in two main areas, motor and the exaggeration of injuries. Recent Court cases have seen the judiciary willing to dismiss claims for exaggerated injuries and in extreme cases charge those who brought the claim.
- 4.14 The Motor insurance industry has seen numerous "staged incident" claims with gangs working to defraud the insurers. From a Council perspective every motor incident involves one of our vehicles and is being driven by one of our own employees. This results in a greatly reduced opportunity for a fraudulent claim to be made as there is no benefit to our drivers.
- 4.15 Where we consider that there may be exaggeration of injuries, rather than a fraudulent claim, based on expert medical evidence we work with our legal providers to determine the extents of the injury. This will include checking social media, further medical evidence and in some specific and proportionate situations undertaking surveillance of the individual concerned with relevant approval and controls.

5. Insurance Fund

- 5.1 The Insurance Fund is the financial provision that is used to pay settlement compensation and costs to successful claimants including any associated legal and medical costs. The fund is maintained by the collection of premiums paid by the departments against the policy cover provided.
- 5.2 For some classes of insurance it can take several months or even years to report, investigate, pay and close claims. For some large and complex claims, courts may need to decide on liability and this can add more time to the process. Claims relating to abuse or long-term disease such as mesothelioma can be open for many years until a final settlement can be agreed.
- 5.3 As noted, each claim will have a reserve set as an estimate of future potential payments (the outstanding amount). Insurers and claims handlers adjust the outstanding amounts as the claim progresses. The total value of a claim (the incurred amount) is the amount paid to date plus the “outstanding” amount still to be paid. As money is paid out on a claim, the reserve will be reduced, however when calculating the total liability for a claim both the incurred and outstanding is combined to provide a total commitment.
- 5.4 The Council carries does carry a large deductible and we hold financial provisions in the Insurance Fund to meet the liabilities from claims for incidents in the current and previous years. The fund, comprising of departmental premiums, is drawn down to pay compensation to successful claimants up to the full value of the deductible. There needs to be sufficient money within the Fund to meet the historical liabilities, losses arising in previous years as well as claims in the current policy year.

6. Assurance

- 6.1. The Insurance Fund is reviewed on an annual basis by our broker to provide the Council with the confidence and assurance that there are sufficient monies within the fund to cover actual and potential losses. The review uses actual claim figures and statistical analysis to calculate how claims are expected to change over time before they are eventually concluded.
- 6.2. In addition to the Fund Review, the handling policies and procedures are reviewed when claims are litigated by our representing solicitor. In addition our insurers carry out audits and last year Zurich undertook the audit, the report states “Norfolk CC achieved an excellent result following this technical file review, and scored highly in the majority of their claims handling phases. The overall quality of claims handling found at Norfolk CC was of an excellent standard.” In conclusion Zurich have decided that they do not need to audit our process until next year at the earliest.
- 6.3. As part of the general auditing process Claims Managers carry out random reviews of files at various times throughout the life of a claim to ensure consistency. In addition we have sessions with members of our panel solicitors 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.

Officer Contact

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

Officer name : Steve Rayner

Tel No. : 01603 224372

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



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Audit Committee

Item No.....

Report title:	Work Programme
Date of meeting:	23 January 2018
Responsible Chief Officer:	Executive Director, Finance and Commercial Services
Strategic impact <p>The Committee's work fulfils its Terms of Reference as set out in the Council's Constitution and agreed by the Council. The terms of reference fulfil the relevant regulatory requirements of the Council for Accounts and Audit matters, including risk management, internal control and good governance.</p> <p>In accordance with its Terms of Reference the Committee should consider the programme of work set out below.</p>	

19 April 2018	
NAS Quarterly Report Quarter ended 31 December 2017 (including the approach to the Annual Review of the Effectiveness of the System of Internal Audit)	Executive Director, Finance and Commercial Services
External Auditor's Audit Plan 2018-19	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Internal Audit Terms of Reference and Code of Ethics	Executive Director, Finance and Commercial Services
Whistleblowing Policy Review	Chief Legal Officer

31 July 2018 (Please note change of date)	
Annual Update of the Audit Committee	Executive Director, Finance and Commercial Services
NAS Quarterly Report Quarter ended 31 March 2018	Executive Director, Finance and Commercial Services
Monitoring Officer Annual Report 2017-18	Chief Legal Officer
Annual NAS Report 2017-18	Executive Director, Finance and Commercial Services
Risk management Annual Report 2017-18	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Update	Chief Legal Officer
Audit Committee Work Programme	Executive Director, Finance and Commercial Services

Annual Governance Statement 2017-18 for Approval	Executive Director, Finance and Commercial Services
Statement of Accounts 2017-18 for Approval	Executive Director, Finance and Commercial Services
Letter of Representation for Statement of Accounts 2017-18, Audit Results Report 2017-18	Executive Director, Finance and Commercial Services

27 September 2018	
NAS Quarterly Report Quarter ended 30 June 2018	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Strategy Update	Chief Legal Officer
Internal Audit Plan for the second half of 2018-19	Executive Director, Finance and Commercial Services

Officer Contact

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

Officer Name: Adrian Thompson - Chief Internal Auditor

Tel No: 01603 222784

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



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