

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 [Constitution](#) at part 4.1 (please click on the underlined text to link to the webpage)

Executive summary

The new administration has a clear set of priorities based around 'Caring for our County'.

Internal Audit's work will contribute to these new priorities, being:

- 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:

- 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



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.

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.