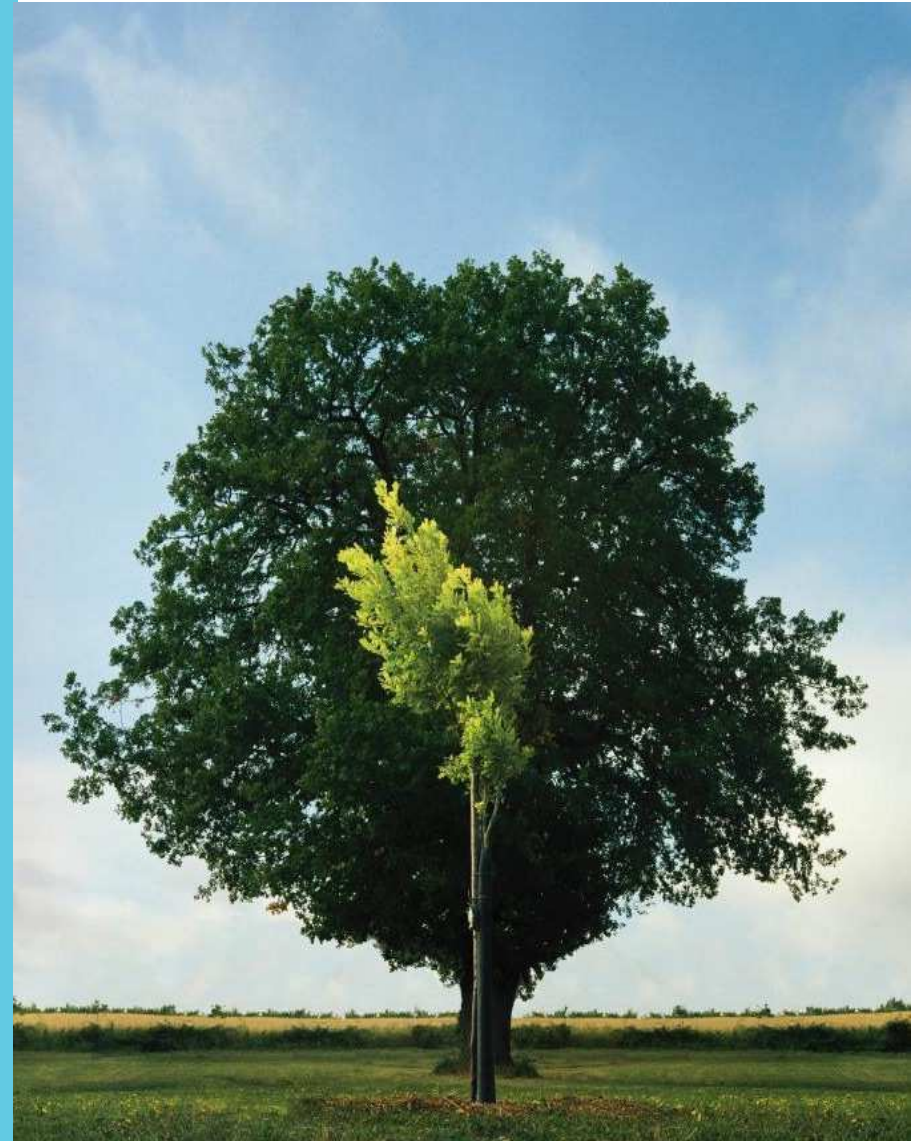


Norfolk County Council

INTERNAL AUDIT REPORT

County Farms Governance Arrangements
Follow up

January 2017



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REPORT STATUS	
Auditors:	Barry Pryke & Angela Mitchell
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Restrictions of use

The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

EXECUTIVE SUMMARY

OVERVIEW

The Council has over 16,000 acres of farmland estate in Norfolk, rented to over 145 tenant farmers. An audit of the governance of County Farms was completed by Norfolk Audit Services as part of the 2015/16 Internal Audit Plan.

In response to complaints received regarding the management of the County Farms service, the Chief Internal Auditor completed a lines of enquiry investigation of each complaint alongside the governance audit. The findings from both reviews were reported in April 2016.

This follow up review assesses whether or not agreed actions arising from the above two reports have been implemented. It also considers the nature of the key controls operating in relation to the management of County Farms.




The Council has commenced improvements in both the governance and operational arrangements relating to the management of the County Farms estate. Updated policies and procedures were approved at the end of November 2016 but are yet to be fully embedded in the day to day operations of the County Farms team. The governance changes required to address some of the recommendations made have been initiated but are not yet complete, pending approval by the appropriate committees. The Council has also commenced procurement of a property management system to support administration of the County Farms estate.

Conclusion

While officers have made good progress in addressing the issues highlighted in the Governance and Lines of Enquiry reports, 31 of the 36 agreed recommendations included in those reports were either not implemented or only partially implemented at the date of our field work. Of these 31 recommendations, three recommendations were not implemented (two from a decision not to implement them) and 28 were in progress (of which seven relate to a change in the Constitution) at the date of the fieldwork.

As work to address the April 2016 recommendations remains ongoing, this report does not seek to provide an opinion on arrangements which are not yet fully developed or embedded. Instead, it provides a snapshot of the current status of the on-going work by officers and makes recommendations where we have identified areas for improvement.

SUMMARY OF RECOMMENDATIONS (SEE DETAILED FINDINGS AND RECOMMENDATIONS)

High		1
Medium		4
Low		2

Total number of recommendations: 7

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Overview of Implementation			
Ref.	Finding	Sig.	Recommendation
1	<p>Our review identified that of the 36 previously agreed recommendations included in the Governance and Lines of Enquiry reports, 31 have either not been implemented or are only partially implemented.</p> <p>Of these 31 recommendations, three recommendations were not implemented (two from a decision not to implement them) and 28 were in progress (of which seven relate to a change in the Constitution and 16 are reliant on newly approved procedures being fully embedded) at the date of the fieldwork. Previously agreed implementation dates for these recommendations had elapsed at the date of our fieldwork.</p> <p>The Constitution changes required are currently subject to the relevant officer and member approvals in accordance with the Council's governance framework.</p> <p>The procedures necessary to implement 16 of the outstanding recommendations have now been approved by the Head of Property (Interim) and work has begun to embed them in the day to day operations of the County Farms team.</p>	Med	The Council clarifies plans and timescales for implementation of recommendations outstanding from the April 2016 Internal Audit reports on Governance and Lines of Enquiry.
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p><i>Management response, responsible officer and implementation date to be provided by Council officers.</i></p> <p><i>Management responses presented outside of this report have not been subject to review or agreement by BDO.</i></p>		<p><i>Responsible Officer:</i></p> <p><i>Implementation Date:</i></p>	

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Business Continuity			
Ref.	Finding	Sig.	Recommendation
2	<p>The Technical Officer maintains County Farms related records in a database, which allows reporting by tenant and area. The following matters were identified:</p> <ul style="list-style-type: none"> The database used for County Farms records, and the mapping system, are currently unsupported by the Council's ICT team (the database requires Windows 7 whereas the Council's standard laptops are Windows 8). The Technical Officer therefore uses a Council laptop which has not been upgraded. The Technical Officer is the only team member able to update the database and produce reports (which he exports to Excel for colleagues). The Technical Officer manually backs up the laptop every night. The Technical Officer transferred to the County Farms team from Norfolk Property Services (who previously managed part of the County Farms estate). For several months after the transfer the Technical Officer used his personal computer for the management of the County Farms databases due to the absence of appropriate systems at the Council. It has not been possible to obtain assurance that all data relating to the management of the County Farms estate has been forensically wiped from the Technical Officer's private computer. <p>Officers have commenced the procurement of a replacement property management system.</p> <p>The following risks arise from the above:</p> <ul style="list-style-type: none"> Business Continuity - records are only accessible by one officer from one machine which uses unsupported technology and has not been upgraded in line with other Council equipment. Data protection - Use of a private laptop for Council business may lead to a breach of the Council's data protection policy and increases the risk of financial penalty if the Council were found to have breached the requirements of the Data Protection Act. 	High	<ul style="list-style-type: none"> a) Determine business continuity arrangements for management of the County Farms estate. b) Implement a suitable property management system, which is integrated with other Council corporate systems as appropriate, and determine appropriate user access arrangements for team members. c) Upgrade the Technical Officer's work laptop in line with other corporate systems. d) Obtain assurance that all data relating to the management of the County Farms estate has been forensically cleared from the Technical Officer's personal equipment.
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
<p><i>Management response, responsible officer and implementation date to be provided by Council officers.</i></p> <p><i>Management responses presented outside of this report have not been subject to review or agreement by BDO.</i></p>			<p><i>Responsible Officer:</i></p> <p><i>Implementation Date:</i></p>

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Governance and Transparency			
Ref.	Finding	Sig.	Recommendation
3	<p>The Governance and Lines of Enquiry audit reports issued in April 2016 raised governance recommendations relating to the clarity of, and compliance with, the Constitution in relation to the management of County Farms, business planning and reporting of County Farms matters to chief officers and members, budget monitoring and publication of County Farms data.</p> <p>The format and content of reports (to update members and chief officers on County Farm matters) have not yet been defined or written, but will include a Business Plan and Annual Report, both to be prepared by the Head of Property (Interim). The format and content of reports to update Members on County Farms matters (such as statistics, performance monitoring, tenant compliance with tenancy requirements, income and collection, learning from complaints etc) has not yet been determined or implemented.</p> <p>Proposals for a Property Committee have since been considered by the Policy and Resources and Economic Development Sub Committees, and are pending review by the Constitution Advisory Group before being submitted back to the Policy and Resources Committee.</p> <p>Resolution of the governance arrangements and a move to a permanent structure within the County Farms team will enable embedding of planned improvements and good practice.</p>	Med	<p>a) Establish and implement permanent governance and reporting arrangements for County Farms.</p> <p>b) Determine the format of reports to members and chief officers on County Farms matters. These should include statistics, performance monitoring, tenant compliance with tenancy requirements, income collection and learning from complaints.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p><i>Management response, responsible officer and implementation date to be provided by Council officers.</i></p> <p><i>Management responses presented outside of this report have not been subject to review or agreement by BDO.</i></p>		<p><i>Responsible Officer:</i></p> <p><i>Implementation Date:</i></p>	

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Tender Procedures			
Ref.	Finding	Sig.	Recommendation
4	<p>New procedures covering end of tenancy, lease renewal, new lease creation, new leases and tenant selection criteria have been approved. Whilst these do not define tender opening protocols, officers stated that the Council’s corporate tendering protocols define these requirements and are applied to County Farms tenders.</p> <p>One County Farms tender opening was undertaken on 30 September 2016. A review of the tender opening documentation identified that 3 people were present and the date and time of opening were recorded. The tender record for this tender opening was only signed by one of those present, and additional unused lines (for recording further tenders) had not been crossed through.</p> <p>Failure to document tender opening procedures in accordance with corporate procedures may expose related tendering decisions to challenge.</p>	Med	<p>a) All officers present at tender opening to sign tender record to acknowledge presence at the opening and agreement of the records produced of opening.</p> <p>b) Cross through unused lines on the tender record.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p><i>Management response, responsible officer and implementation date to be provided by Council officers.</i></p> <p><i>Management responses presented outside of this report have not been subject to review or agreement by BDO.</i></p>		<p><i>Responsible Officer:</i></p> <p><i>Implementation Date:</i></p>	

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Collection of Overdue rent			
Ref.	Finding	Sig.	Recommendation
5	<p>Rents due from tenants are manually recorded on a spreadsheet by the Technical Officer. Payments are also manually recorded on the spreadsheet once identified in the Council's ledger. There is no reconciliation between payments recorded on the Oracle system and the spreadsheet maintained by the Technical Officer.</p> <p>All debts associated with County Farms tenants are recorded on the Oracle system. Whilst the Council has a credit control team to manage debts, this team does not follow corporate procedures for the recovery of County Farms debts as payment periods are defined by tenancy legislation (some tenancies allow 3 months for payment).</p> <p>The credit control team will only act to pursue collection when instructed to do so by the Technical Officer. Collection of rents due is therefore reliant on the manual processes undertaken by the Technical Officer.</p> <p>The new procedures seek to ensure that the production of invoices and the payment due date corresponds with the due date according to legislation and tenancy type. However, manual transfer of information between the Technical Officer and the credit control team increases the risk that payments due will not be collected in a timely fashion.</p>	Med	<p>a) Investigate options for integration of the new property management system with the Council's credit control function for the collection and recovery of County Farms debt, including automation of collection activity in accordance with protocols provided by tenancy legislation and subject to County Farms officers serving the relevant notices to ensure that they are valid and enforceable.</p> <p>b) Perform regular reconciliations between the payments system and County Farms records of payments received.</p>
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p><i>Management response, responsible officer and implementation date to be provided by Council officers.</i></p> <p><i>Management responses presented outside of this report have not been subject to review or agreement by BDO.</i></p>		<p><i>Responsible Officer:</i></p> <p><i>Implementation Date:</i></p>	

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Conflicts of Interest			
Ref.	Finding	Sig.	Recommendation
6	<p>The Council’s Corporate Conflicts of Interest protocols apply to all members and staff.</p> <p>There is an opportunity to clarify conflicts of interest in the County Farms environment to ensure that all officers are aware of their responsibilities.</p> <p>A lack of awareness of the requirements associated with conflicts of interest increases the risk that relevant interests are not documented and taken into account when making key decisions relation to the County Farms estate.</p>	Low	Embed conflicts of interest as a standing item on the County Farms monthly team meeting agenda to ensure officers are reminded of their responsibilities.
MANAGEMENT RESPONSE		RESPONSIBILITY AND IMPLEMENTATION DATE	
<p><i>Management response, responsible officer and implementation date to be provided by Council officers.</i></p> <p><i>Management responses presented outside of this report have not been subject to review or agreement by BDO.</i></p>		<p><i>Responsible Officer:</i></p> <p><i>Implementation Date:</i></p>	

DETAILED FINDINGS AND RECOMMENDATIONS

Risk: Learning from complaints			
Ref.	Finding	Sig.	Recommendation
7	<p>A new Complaints procedure has been approved. This includes notifying both the Head of Property (Interim) and the Council’s Comments and Complaints Team that a complaint has been received and defines the process in accordance with the Council’s corporate complaints handling procedure.</p> <p>We were provided with a complaints listing by the County Farms team. This identified three complaints received in June and July 2016, and none since, but it is not clear whether these have been dealt with in accordance with corporate protocols or whether no other complaints were received since this record was produced.</p> <p>There is no evidence of learning from comments or complaints.</p>	Low	Periodically review comments and complaints to identify learning opportunities.
MANAGEMENT RESPONSE			RESPONSIBILITY AND IMPLEMENTATION DATE
<p><i>Management response, responsible officer and implementation date to be provided by Council officers.</i></p> <p><i>Management responses presented outside of this report have not been subject to review or agreement by BDO.</i></p>			<p><i>Responsible Officer:</i></p> <p><i>Implementation Date:</i></p>

APPENDIX I - Implementation of Recommendations From April 2016 Internal Audit Report on Governance

The recommendations in the table below are extracted from the County Farms Governance Audit Report presented to the Economic Development Sub-committee on 6 September 2016 as Annex B to agenda item 6 ('County Farms').

This report is publically available on Norfolk County Council's website.

April 2016 Audit Report Recommendation	Summary Progress	Status
<p>7.1 Clarity of the Constitution in relation to County Farms governance</p> <p>To resolve the present duplication in decision making that the Council is asked to consider, in accordance with the Council's provisions for changes to the Constitution:</p> <ul style="list-style-type: none"> • Placing of County Farms functions of decision making with the Policy and Resources Committee; and • should it be decided to continue with the County Farms Advisory Board the role should be of scrutiny of operational decisions, reporting back to Policy and Resources Committee, as part of an annual review and make required recommendations <p>Any changes to the Constitution should trigger changes in the procedures that support it.</p> <p>The Managing Director to review (in consultation with the Executive Director of Finance) how the Council's functions relating to County Farms are exercised, including the selection of tenants, the allocations of County Farms assets and estate strategies and to make recommendations to the Policy and Resources Committee.</p>	<p>In progress</p> <p>Alternative proposals (for a Property Committee) have been considered by the Policy and Resources and Economic Development Sub Committees, and are pending review by the Constitution Advisory Group.</p> <p>Constitutional arrangements currently remain as they were at the date of the previous Governance and Line of Enquiry audits until such time as Members determine alternative arrangements.</p>	

APPENDIX I - Implementation of Recommendations From April 2016 Internal Audit Report on Governance

April 2016 Audit Report Recommendation	Summary Progress	Status
<p>7.2 Constitutional compliance</p> <ul style="list-style-type: none"> • The decisions of the Managing Director in relation to the County Farms function to be reported to the Policy and Resources Committee. • The governance processes agreed for County Farms need to be reported by the Executive Director of Finance to the relevant Committee. • A report with recommendations should be prepared by the Executive Director of Finance and presented to the relevant Committee. • Before an offer is made to a prospective County Farm tenant, leases to be approved in accordance with the Constitution, for the avoidance of doubt, this will mean that Members no longer have a direct role in the selection of tenants. The Head of Law should obtain appropriate advice and review relevant documentation to ensure that agreed criteria have been met. 	<p>In progress</p> <p>See 7.1 above. New Constitutional arrangements are to be determined.</p> <p>Revised procedures, which include processes for approval of leases, have been prepared and approved by the Head of Property (Interim).</p> <p>Members have elected to continue to make decisions on tenant selection, although this is subject to prior approval by the Head of Service (and Head of Service direct approval where allowed through delegated authority).</p>	

APPENDIX I - Implementation of Recommendations From April 2016 Internal Audit Report on Governance

April 2016 Audit Report Recommendation	Summary Progress	Status
<p>7.3 Professional officer advice</p> <ul style="list-style-type: none"> • The Executive Director of Finance should ensure that appropriate professional advice is maintained. • Clear executive advice should be agreed and recorded where the Managing Director delegates certain duties to the Executive Director of Finance and the Head of Law for legal property contract matters. • Once the Constitutional position has been confirmed the Managing Director’s role and authority for County Farms, as included in the Financial Regulations and then the Hierarchy of Decisions for Property Procedures should be clarified. • The Business Plan for 2016-17 should be completed timely by the Head of Property (Interim) and reported to the appropriate Committee. • The details of interim changes required (pending any Constitutional changes) for the Hierarchy of decision making on property matters procedures (June 2014) have been reported to the Head of Property (Interim) and these should be actioned timely. • Any ‘interim’ Hierarchy of decision making on property matters procedures should be approved by the Executive Director of Finance. 	<p>In progress</p> <p>As noted above against recommendation 7.2, only tenants approved by the Head of Service are put forward for Member consideration.</p> <p>Constitutional arrangements are yet to be confirmed, and a permanent staffing structure has not yet been fully recruited to.</p> <p>The Annual Report is in draft awaiting senior management approval. Officers have confirmed that the County Farms Business Plan will be prepared once the strategy for County Farms is agreed.</p> <p>The Head of Property (Interim) advised that the County Farms Business Plan would be presented to the Economic Development Sub Committee in 2017 (although this is not specifically stated on the work plan for that Committee).</p> <p>The Head of Property (Interim) is involved in decision making and current leases have been extended pending finalisation of governance arrangements.</p>	<p></p>

APPENDIX I - Implementation of Recommendations From April 2016 Internal Audit Report on Governance

April 2016 Audit Report Recommendation	Summary Progress	Status
<p>7.4 Policy & Procedures</p> <ul style="list-style-type: none"> The County Farms Policy and procedures need to be fully reviewed and approved by the relevant Committee. Criteria, arrangements and reporting for the promotion of tenants to larger farms need to be strengthened. 	<p>In progress</p> <p>Revised procedures, which include processes for approval of leases, have been prepared and approved by the Head of Property (Interim).</p> <p>Procedures for promotion of tenants to larger farms have not yet been drafted.</p>	
<p>7.5 Reporting</p> <p>Consideration should be given by the Managing Director (in consultation with the Executive Director of Finance) to:</p> <ul style="list-style-type: none"> Reporting being strengthened by an Annual County Farms Plan, with accountable officers and timescales identified, authored by the Executive Director of Finance. A County Farms Annual Report be prepared and presented by officers to the relevant Committee, authored by the Executive Director of Finance. 	<p>In progress</p> <p>The Annual County Farms Plan and the Annual Report are currently being drafted. We understand that there is an intention to prepare these for presentation to the Economic Development Sub Committee in early 2017.</p>	
<p>7.6 Terms of Reference of the County Farms Advisory Board (CFAB)</p> <ul style="list-style-type: none"> As per 7.2. A report with recommendations should be prepared by the Executive Director of Finance and presented to the relevant Committee. 	<p>In progress</p> <p>Revised procedures have been drafted which clarify arrangements for selection of tenants and these procedures have been approved by the Head of Property (Interim).</p> <p>As per progress noted against 7.2 above, members will continue to participate in tenant selection but anticipate governance arrangements and transparency will be improved under new arrangements to be introduced.</p>	

APPENDIX I - Implementation of Recommendations From April 2016 Internal Audit Report on Governance

April 2016 Audit Report Recommendation	Summary Progress	Status
<p>7.7 Allocating Holdings</p> <ul style="list-style-type: none"> As per 7.2. A report with recommendations should be prepared by the Executive Director of Finance and presented to the relevant Committee. Details should be entered into the Farm Re- Letting Policy regarding the process criteria and authorisation for allocating holdings, not open competitively. 	<p>Implemented</p> <p>The updated policy has now been approved by the Head of Property (Interim), although there has not been an opportunity to apply this in practice at time of writing.</p>	<p>Completed</p>
<p>7.8 Role of the County Farms Advisory Board</p> <p>The Executive Director of Finance should ensure Members and Officers are made aware of their roles and responsibilities, especially regarding decision making under the Constitution.</p>	<p>Implemented</p> <p>The Executive Director, Finance and Commercial Services has spent time briefing Members and he attends the County Farms Advisory Board.</p> <p>Revised governance arrangements, including the introduction of a Property and Business Committee, have been drafted and are currently being approved in accordance with the Council’s Constitution.</p>	<p>Completed</p>
<p>7.9 Interviewing and Selecting Tenants</p> <ul style="list-style-type: none"> As per 7.2. A report with recommendations should be prepared by the Managing Director and presented to the relevant Committee. All relevant forms should be completed accurately, with all details and reasons for decisions included. The interviewers name should be clearly stated along with who the Chairman of the interview was. 	<p>In progress</p> <p>Revised procedures documenting the processes to be followed in relation to end of tenancy, lease renewal, new lease creation and tenant selection have now been approved by the Head of Property (Interim).</p> <p>However, there have been no open market lettings since approval of the revised procedures as all existing tenancies have been extended pending implementation of revised governance arrangements. As such, there has been no opportunity to implement the revised procedures.</p>	<p>In Progress</p>

APPENDIX I - Implementation of Recommendations From April 2016 Internal Audit Report on Governance

April 2016 Audit Report Recommendation	Summary Progress	Status
<p>7.10 Policy Framework and Guidance</p> <ul style="list-style-type: none"> The Head of Property (Interim) ensures The ‘Guide for prospective tenants’ is up dated to reflect the current policy and practices and that this is approved by the Policy and Resources Committee. Then all tenants are made aware of the up to date Council policy framework. As part of the re-letting process tenants are asked to link their application to policy. 	<p>Not implemented</p> <p>We understand the policy framework will become a FAQ section within a revamped County Farms webpage, including an application form and an example tenancy agreement, and that the initial draft prepared will be reviewed once a strategic review of the estate has been completed.</p> <p>As new procedures have only been recently approved, they have not yet been notified to tenants.</p>	<p>Not Implemented</p>
<p>7.11 Tender process</p> <ul style="list-style-type: none"> The Head of Property (Interim) should ensure two people involved in the tender opening and shortlisting process. The date and time tenders are received should be recorded. 	<p>Implemented</p> <p>The Council’s corporate protocols define these requirements and are applied to County Farms tenders. One County Farms tender opening was undertaken on 30 September 2016, 3 people were present and the date and time of opening were recorded.</p> <p>We have raised a recommendation regarding an opportunity to improve the documentation of the tender opening process (see finding 4).</p>	<p>Implemented</p>
<p>7.12 Monitoring</p> <ul style="list-style-type: none"> A regular monitoring system should be set up by the Head of Property (Interim) to ensure tenants are fully complying with their Farm Business Tenancies. If it is found that a tenant is acting outside of their agreement then the relevant Committee should be advised and the Managing Director should decide upon a course of action to be taken, in line with the County farms Policy. 	<p>In progress</p> <p>The new Lease Compliance and Dilapidations procedure requires that all holdings be visited every six months. This procedure has now been approved and we understand from officers that an inspection regime will be prepared for the whole estate following the induction of the new Rural Surveyor, who starts in March 2017.</p>	<p>In Progress</p>

APPENDIX I - Implementation of Recommendations From April 2016 Internal Audit Report on Governance

April 2016 Audit Report Recommendation	Summary Progress	Status
<p>7.13 Complaints</p> <ul style="list-style-type: none"> The Head of Property (Interim) should introduce a system for collating the number, nature and outcomes of complaints to ensure a full understanding about areas of complaint are known. The performance and outcomes should be reported to the relevant Committee as part of the Annual Report and integrated into the Council's Compliments and Complaints process. 	<p>In progress</p> <p>The draft County Farms complaints procedure (which complements, rather than replaces, the Council's corporate complaints policy) has been approved by the Head of Property (Interim).</p> <p>The complaints listing provided by the County Farms team identifies three complaints received in June and July 2016 and none since. It is not clear whether these have been dealt with in accordance with corporate protocols, or whether no other complaints were received since this record was produced.</p> <p>The Annual Report has not yet been produced.</p>	<p>Yellow</p>
<p>7.14 Conflicts of Interest</p> <ul style="list-style-type: none"> Conflicts of interest should be formally recorded and the Head of Service advised. Members or employees with a conflict of interest should withdraw from decisions relevant to their declared interest. 	<p>Implemented</p> <p>The Council's Corporate Conflicts of Interest protocols apply to all Members and staff.</p> <p>We have raised a recommendation regarding an opportunity to improve the documentation of the tender opening process (see finding 9).</p>	<p>Green</p>
<p>7.15 Procedures</p> <ul style="list-style-type: none"> The Head of Property (Interim) should decide which procedures are appropriate for the effective running and management of the County Farms. These should be up dated to reflect current practice, approved by the relevant Committee and circulated to the relevant staff. Compliance with the procedures should be reported to the relevant Committee. 	<p>In progress</p> <p>Revised procedures have been approved by the Head of Property (Interim) and are currently being embedded in the day to day operations of the County Farms team.</p> <p>As noted elsewhere in the report, arrangements relating to the governance of County Farms are being finalised, including those relating to reporting compliance with procedures.</p>	<p>Yellow</p>



APPENDIX I - Implementation of Recommendations From April 2016 Internal Audit Report on Governance

April 2016 Audit Report Recommendation	Summary Progress	Status
<p>7.16 Sub Letting Policy Monitoring</p> <ul style="list-style-type: none"> A clear unambiguous policy is required. The County farms Sub Letting Policy needs to be fully reviewed by the Head of Property (Interim) (interim) and approved by the relevant Committee. Compliance with the procedures should be reported to the relevant Committee. 	<p>In progress</p> <p>A revised Tenancy agreement approved by NP Law states:</p> <p><i>Not to assign, sublet, charge, part with or share possession or occupation of the Holding nor to enter into any contract farming agreement, share farming agreement, cropping licence or otherwise in relation to the Holding nor have on the Holding third party livestock</i></p> <p>The above will be applied to new tenancies (all existing tenancies have been extended pending implementation of all changes to County Farms governance arrangements).</p>	
<p>7.17 Exceptions</p> <ul style="list-style-type: none"> Staff should be reminded by the Head of Property (Interim) that any errors or exceptions from procedures that are identified should be logged, reported and investigated. Staff should be reminded of the requirements of the Council's Customer Care Standards. 	<p>In progress</p> <p>We understand that exceptions are to be treated as complaints. A County Farms complaints procedure has been approved by the Head of Property (Interim).</p> <p>The County Farms Manager advised that he will remind staff of Customer Care Standards at the December 2016 team meeting.</p>	
<p>7.18 Good Practice Guidance</p> <p>The Head of Property (Interim) should consider the guidance and develop an action plan to be approved by the relevant Committee.</p>	<p>In progress</p> <p>We understand that the Association of Chief Estates Surveyors (ACES) Good Practice Guidance will be referenced in the Business Plan (which is currently being drafted) and will form the basis of an strategic review of the estate, to include tenant engagement.</p>	

APPENDIX II - Implementation of Recommendations From April 2016 Lines of Enquiry Report

The recommendations in the table below are extracted from the County Farms Lines of Enquiry Report presented to the Economic Development Sub-committee on 6 September 2016 as Annex C to agenda item 6 ('County Farms').

This report is publically available on Norfolk County Council's website.

April 2016 Audit Report Recommendation	Summary Progress	Status
<p>6.1 Farm Business Tenancy Contracts (fit for purpose & enforced)</p> <ul style="list-style-type: none"> The Farm Business Tenancy Contracts need to be fit for purpose, complete and compliance should be strictly enforced. It was noted that Cambridgeshire CC has a stronger Farm Tenancy Agreement Template which addresses this issue. 	<p>In progress</p> <p>Farm Business Tenancy (FBT) contracts were updated using the Burgess Salmon (rural legal specialists) suite and included clauses used by Cambridgeshire County Council. These were approved by NP Law.</p> <p>Enforcement is not currently undertaken as new processes have not yet been embedded.</p>	
<p>6.2 Farm Business Tenancy Conditions of Use of land</p> <ul style="list-style-type: none"> Farm Business Tenancy Conditions should be transparent. To avoid applicants wasting time it is recommended that if rearing pigs is likely to be a barrier to any application a note should be included in the advert to say words to the effect, 'if you are considering non arable farming you are advised to contact the County farms Team for advice regarding your proposed business model'. 	<p>Not implemented</p> <p>Farm Business Tenancy Conditions are included in the Burgess Salmon suite approved by NP Law (see 6.1 above).</p> <p>Officers have confirmed that there is no intention to include information relating to the possible use of farms in future adverts. Officers are of the view that it is for applicants to prepare a proposal for the holding and that it is not appropriate for the Council to limit the potential market.</p>	

APPENDIX II - Implementation of Recommendations From April 2016 Lines of Enquiry Report

April 2016 Audit Report Recommendation	Summary Progress	Status
<p>6.3 Farm Business Tenancy Conditions Development of Land / Buildings</p> <ul style="list-style-type: none"> Farm Business Tenancy conditions should clearly set out all expectations and then be enforced. Longer term tenancies (10-15 years) can stifle turnover, but it is recognised that this must be balanced against development of farmer's businesses. Used positively renewals also offer a potent check on tenant compliance and delivery of any development set out in an application. 	<p>In progress</p> <p>New tenancy agreement templates have been prepared but there have not been any new tenancies awarded since the introduction of the new templates.</p> <p>We understand that consideration of longer term tenancies and development of farmers' businesses is determined through the Estate Strategy. Such a strategy is in place but requires updating.</p>	
<p>6.4 Farm Business Tenancy Conditions - Enforcement</p> <ul style="list-style-type: none"> Commercial Tenancy propositions should be approved by the Policy and Resources Committee. Farm Business Tenancy conditions should be enforced. Site visits should include consideration of whether planning approvals may be required for activity/development and if required that they are obtained timely. 	<p>In progress</p> <p>The new Lease Compliance and Dilapidations Procedure has been approved by the Head of Property (Interim) but has yet to be embedded in the day to day operations of the County Farms team.</p> <p>We understand that officers in the County Farms team are appropriately qualified to be able to ensure conditions are met.</p>	
<p>6.5 Commercial Tenancy Propositions approval by Policy & Resources Committee</p> <ul style="list-style-type: none"> Commercial Tenancy propositions should be approved by the Policy and Resources Committee. Farm Business Tenancy conditions should be enforced. Site visits should include consideration of whether planning approvals may be required for activity/development and if required that they are obtained timely. 	<p>In progress</p> <p>Governance arrangements have not yet been finalised and implemented.</p> <p>A new tenancy agreement has been prepared but not yet implemented.</p> <p>Site visits are currently only reactive and a programme of monitoring has not yet been determined.</p>	

APPENDIX II - Implementation of Recommendations From April 2016 Lines of Enquiry Report

April 2016 Audit Report Recommendation	Summary Progress	Status
<p>6.6 Fit for purpose and transparent Estate Management Procedures - Interview selection criteria</p> <ul style="list-style-type: none"> Fit for purpose and transparent Estate Management Procedures to be defined, approved and published. 	<p>In progress</p> <p>Tenant selection criteria have been determined but are in draft form and have not yet been submitted for approval. The scoring sheet has not yet been revised to reflect the updated tenant selection criteria.</p> <p>The new draft procedures require a Head of Service approval of prospective tenants before details are submitted for member approval.</p>	
<p>6.7 Fit for Purpose and Transparent estate management procedures - defined, approved and published - strengthen transparency</p> <ul style="list-style-type: none"> The names and acreage holdings of County Farm land (but not the rental value) should be made public, to ensure transparency 	<p>In progress</p> <p>The final draft of this data is with senior officers for approval prior to publication.</p>	
<p>6.8 Fit for purpose and transparent estate management procedures - strengthen lettings administration procedures</p> <ul style="list-style-type: none"> Letters of correction should be sent to the relevant applicants with an apology. 	<p>Not implemented</p> <p>Officers have decided not to issue any letters of correction as all specific complaints have been responded to on a case by case basis.</p> <p>Should any further complaints arise regarding unsuccessful applications, they will be managed in accordance with the approved County Farms complaints procedure.</p>	
<p>6.9 Fit for purpose and transparent estate management procedures - records retention to be compliant</p> <ul style="list-style-type: none"> Lettings scores records should be retained for the appropriate retention period. 	<p>In progress</p> <p>The County Farms team are required to follow existing corporate retention policies, which are made available to all staff via the Council's intranet.</p> <p>Officers have confirmed that the County Farms team will be reminded of document retention policies via future monthly team meetings.</p>	

APPENDIX II - Implementation of Recommendations From April 2016 Lines of Enquiry Report

April 2016 Audit Report Recommendation	Summary Progress	Status
<p>6.10 Fit for purpose and transparent estate management procedures - Farm House Dwelling sub letting</p> <ul style="list-style-type: none"> Fit for purpose and transparent Estate Management Procedures are defined, approved and published. 	<p>In progress</p> <p>Revised procedures have now been approved by the Head of Property (Interim).</p> <p>As the procedures have only been recently approved (25 November 2016) they are yet to be fully embedded in the day-to-day operations of the County Farms team.</p>	
<p>6.11 Fit for purpose and transparent estate management procedures - tenant promotion controls</p> <ul style="list-style-type: none"> Fit for purpose and transparent Estate Management Procedures are defined, approved and published. 	<p>In progress</p> <p>Revised procedures have now been approved by the Head of Property (Interim).</p> <p>As the procedures have only been recently approved (25 November 2016) they are yet to be fully embedded in the day-to-day operations of the County Farms team.</p>	
<p>6.12 Fit for purpose and transparent estate management procedures - conflict of interest declarations</p> <ul style="list-style-type: none"> Fit for purpose and transparent Estate Management Procedures are defined, approved and published. 	<p>Implemented</p> <p>The Council's Corporate Conflicts of Interest protocols apply to all Members and staff. See Appendix I, recommendation 7.14.</p>	
<p>6.13 Fit for purpose and transparent estate management procedures - Multiple Farm Holdings controls need strengthening</p> <ul style="list-style-type: none"> Fit for purpose and transparent Estate Management Procedures are defined, approved and published. 	<p>In progress</p> <p>Revised procedures have now been approved by the Head of Property (Interim).</p> <p>As the procedures have only been recently approved (25 November 2016) they are yet to be fully embedded in the day-to-day operations of the County Farms team.</p>	

APPENDIX II - Implementation of Recommendations From April 2016 Lines of Enquiry Report

April 2016 Audit Report Recommendation	Summary Progress	Status
<p>6.14 Fit for purpose and transparent estate management procedures - Multiple Farm Holdings controls need strengthening - Customer Care standards need strengthening</p> <ul style="list-style-type: none"> • Fit for purpose and transparent Estate Management Procedures are defined, approved and published. • The County Farms team should be reminded of the Corporate standards for customer care and handling complaints. • Complaints to Members should be passed to the County farms Team for resolution. • Positive tenant participation should be actively encouraged. 	<p>In progress</p> <p>A Communications plan has not been agreed. However, the County farms Team and the Executive Director have hosted two well attended farmer association meetings, published a County Farms newsletter, refreshed a Facebook Page and a Tenants meeting is booked for March 2017 at County Hall.</p> <p>The County Farms team have not yet been reminded of corporate customer care standards. The County Farms Manager has scheduled this for the December 2016 team meeting.</p> <p>The newly approved Estates Management procedures include acknowledgement of complaints, investigation, and response to complainant.</p>	
<p>6.15 Fit for purpose and transparent estate management procedures - site visits to ensure FBT conditions met need strengthening</p> <ul style="list-style-type: none"> • Fit for purpose and transparent Estate Management Procedures are defined, approved and published. 	<p>In progress</p> <p>The revised Lease Compliance and Dilapidations Procedure schedules six monthly routine inspections for equipped properties and annual inspections for bare land farms. It requires a written record of inspection and follow up action. The policy has been approved but not yet implemented (currently site inspections are only on a reactive basis).</p>	

APPENDIX II - Implementation of Recommendations From April 2016 Internal Audit Lines of Enquiry Report

April 2016 Audit Report Recommendation	Summary Progress	Status
<p>6.16 Fit for purpose and transparent estate management procedures - Transparency and Accountability</p> <ul style="list-style-type: none"> • Fit for purpose and transparent Estate Management Procedures are defined, approved and published. • Where it is possible there should be full transparency in the use of the asset, decisions made. • financial reporting and of complaints that have been received and their resolution. • An Annual Report should be presented to Members. 	<p>In progress</p> <p>Revised procedures have now been approved by the Head of Property (Interim).</p> <p>As the procedures have only been recently approved (25 November 2016) they are yet to be fully embedded in the day-to-day operations of the County Farms team.</p>	
<p>6.17 Checks and Balances are not adequate - Leadership, Expertise and Resources need strengthening</p> <ul style="list-style-type: none"> • An appropriate corporate culture should ensure strong leadership, expertise and adequate resources are deployed to maintain and develop the County Farms service. • County Farms has a policy. 	<p>In progress</p> <p>The new team and Committee structure is subject to ongoing approval as required by the Council's Constitution and therefore not yet in place.</p> <p>Revised procedures have now been approved by the Head of Property (Interim).</p> <p>As the procedures have only been recently approved (25 November 2016) they are yet to be fully embedded in the day-to-day operations of the County Farms team.</p>	

Appendix II - Implementation of Recommendations From April 2016 Internal Audit Lines of Enquiry Report

April 2016 Audit Report Recommendation	Summary Progress	Status
<p>6.18 Checks and Balances are not adequate - Approval of Expenditure needs strengthening</p> <ul style="list-style-type: none"> The capital expenditure checks and approval for County Farms need to be improved to ensure transparency and accountability. 	<p>In progress</p> <p>We understand the current budget was prepared on the basis of the previous year's budget rolled forward. The County Farms Manager advised that a full review of the land and property assets will need to be completed to determine required repairs and capital works which must then be costed before the true capital budget requirements can be determined.</p> <p>The Council has a 'Budget manager' system monitoring procedure that all Budget Holders are expected to follow. Officers have confirmed that the Estates Manager will be trained on that system.</p>	

APPENDIX III - Review of Key Control Areas

We have undertaken a review of each of the control areas identified in the table below. We have considered control design and the extent to which key controls have been implemented. Our findings are reported below.

Control Area	Findings	Risk Status
Maintenance of County Farms Records	<p>The Technical Officer maintains County Farms related records in a database, which allows reporting by tenant and area. The following matters were identified:</p> <ul style="list-style-type: none"> • The database used for County Farms records, and the mapping system, are currently unsupported by the Council's ICT team (the database requires Windows 7 whereas the Council's standard laptops are Windows 8). The Technical Officer therefore uses a Council laptop which has not been upgraded. • The Technical Officer is the only team member able to update the database and produce reports (which he exports to Excel for colleagues). The Technical Officer manually backs up the laptop every night. • The Technical Officer transferred to the County Farms team from Norfolk Property Services (who previously managed part of the County Farms estate). For several months after the transfer the Technical Officer used his personal computer for the management of the County Farms databases due to the absence of appropriate systems at the Council. It has not been possible to obtain assurance that all data relating to the management of the County Farms estate has been forensically wiped from the Technical Officer's private computer. <p>Officers have commenced the procurement of a replacement property management system.</p> <p>The following risks arise from the above:</p> <ul style="list-style-type: none"> • Business Continuity - records are only accessible by one officer from one machine which uses unsupported technology and has not been upgraded in line with other Council equipment. • Data protection - Use of a private laptop for Council business may lead to a breach of the Council's data protection policy and increases the risk of financial penalty if the Council were found to have breached the requirements of the Data Protection Act. 	
Tendering and the Setting Up of Farm Businesses <ul style="list-style-type: none"> • Policy for selection & offering of tenancies • Opening and assessment of tenders • Records of tender opening 	<p>Draft Tenant Selection Criteria have been prepared but not yet submitted for approval. The scoring sheet has not yet been updated to reflect proposed new procedures and tenant selection criteria.</p> <p>Revised estate management procedures have now been approved by the Head of Property (Interim).</p> <p>Current tenancies have been extended, therefore no new tenancies are expected until October 2017. There has however been one Farm Business Tenancy tender exercise in September 2016 - the Technical Officer prepared a record indicating 3 people were present at the tender opening (see also Appendix I, recommendation 7.11 and finding 4).</p>	

APPENDIX III - Review of Key Control Areas

Control Area	Findings	Risk Status
<p>Acquisition and Disposal of Land and Property</p> <ul style="list-style-type: none"> • Clear approved policy on acquisition and disposal • Authorisation • Update of Asset Register 	<p>The new acquisition and disposal processes, as approved by the Head of Property (Interim) include the approval requirements for such transactions and the process to be followed when updating the property management and geographic information systems following a purchase or sale.</p> <p>Where appropriate, NPS (a wholly owned company of the Council) are used to manage acquisitions or disposals. The service to be provided by NPS is defined using the 'Record of Commissioning' template in accordance with Council policy.</p> <p>The asset register is updated for acquisitions and disposals of County Farms estate in accordance with Council policy.</p>	
<p>Setting and Collection of Rents</p> <ul style="list-style-type: none"> • Clear and approved policy • Separation of duties between negotiating and collecting rent • Maintenance of payment and arrears records • Timely debt collection <p>Continued:</p>	<p>Valuations are undertaken by Land Agents at the time of rent review. Land Agents are also responsible for negotiating rents. Land Agents are appropriately qualified to enable effective assessment of value. The new Rent Review procedure, as approved by the Head of Property (Interim), defines the review process and includes approval from the Head of Service.</p> <p>The new Income Collection and Debt Management procedure defines processes for raising invoices, debt management (which includes identification of debtors and direction of action from the County Farms Manager) and service of notices according to tenancy type. We understand the timings within this procedure reflect what should be in place but are not currently in place. At the time of our review, the records maintained by the Technical Officer indicated 60.28% of rents had been collected (this reflects payments which were not due to be paid for another week).</p> <p>Rents due from tenants are manually recorded on a spreadsheet by the Technical Officer. Payments are also manually recorded on the spreadsheet once identified in the Council's ledger. There is no reconciliation between payments recorded on the Oracle system and the spreadsheet maintained by the Technical Officer.</p> <p>All debts associated with County Farm tenants are recorded on the Oracle system. Whilst the Council has a credit control team to manage debts, this team does not follow corporate procedures for the recovery of County Farms debts as payment periods are defined by tenancy legislation (some tenancies allow 3 months for payment).</p> <p>Continued:</p>	

APPENDIX III - Review of Key Control Areas

Control Area	Findings	Risk Status
Setting and Collection of Rents (continued)	<p>The Credit Control team will only act to pursue collection when instructed to do so by the Technical Officer. Collection of rents due is therefore reliant on the manual processes undertaken by the Technical Officer.</p> <p>The new procedures seek to ensure that the production of invoices and the payment due date corresponds with the due date according to legislation and tenancy type. However, manual transfer of information between the Technical Officer and the credit control team increases the risk that payments due will not be collected in a timely fashion (see finding 5).</p>	
Monitoring of Tenants is Carried Out to Ensure Compliance with Farm Business tenancies <ul style="list-style-type: none"> • Requirements are clearly defined and communicated • Records are maintained of compliance checks 	<p>A new tenancy agreement has been prepared and approved by NP Law. This identifies tenancy conditions but has not yet been applied to tenancies (new tenancies are not expected until October 2017).</p> <p>The new draft Lease Compliance and Dilapidations Procedure, as approved by the Head of Property (Interim) identifies requirements for inspections, recording inspections and service of notices as appropriate.</p> <p>The Technical Officer and Land Agents undertake reactive monitoring of tenants and they make file notes or save emails on the shared drive folder. There is not currently any programme or schedule of inspections for proactive monitoring of sites to ensure consistent compliance with tenancy conditions.</p> <p>We understand from officers that an inspection regime will be prepared for the whole estate following recruitment to the vacant rural surveyors post (see also Appendix I, recommendation 7.12).</p>	
Budget Monitoring <ul style="list-style-type: none"> • Approved budget • Budget responsibilities defined • Budget monitoring 	<p>The new draft Budget Management procedure states that the County Farms Manager will be trained as a Responsible Budget Officer (RBO) and will assume these responsibilities after training on the management of the capital and revenue budgets for the County Farms estate. This procedure is in draft, and has not yet been submitted for approval.</p> <p>In the interim, the County Farms Manager acts as RBO for County Farms budgets and reports to the Head of Property (Interim).</p> <p>The Corporate Budget monitoring process flow chart requires ongoing/ monthly checking of actuals by the Responsible Budget Officer and communication to Finance.</p>	
Continued:	Continued:	

APPENDIX III - Review of Key Control Areas

Control Area	Findings	Risk Status
Budget Monitoring	<p>We understand the current budget was prepared on the basis of the previous year's budget rolled forward. The County Farms Manager advised that a full review of the land and property assets will need to be completed to determine required repairs and capital works which must then be costed before the true capital budget requirements can be determined (see also Appendix II, recommendation 6.18).</p>	
Reporting process to the Executive Director of Finance and Members <ul style="list-style-type: none"> • Reporting protocols defined • Responsibility for production of reports 	<p>The new draft procedure on Reporting to the Executive Director of Finance and Members defines reporting for the purpose of decision making, with reports drafted by the County Farms estates officers. This procedure is in draft form and has not yet been submitted for approval.</p> <p>We understand that the format and content of other reports (to update Members and Chief officers) have not yet been defined or written but will include a Business Plan and Annual Report to be prepared by the Head of Property (Interim).</p> <p>The format and content of reports to update Members on County Farms matters (such as statistics, performance monitoring, tenant compliance with tenancy requirements, income and collection, learning from complaints etc) should be determined and implemented (see also finding 3).</p>	
Identification, Investigation, Action and reporting of Exceptions <ul style="list-style-type: none"> • Clear policy which has been communicated • Action taken in respect of exceptions 	<p>Officers advised that exceptions (ie departures from formal policies and procedures) arise as a result of the County Farms Team not following agreed protocols. Exceptions arising are treated as complaints and follow the Council's disciplinary protocols as appropriate. This is done in consultation with the Human Resources team and there have been no exceptions since the County Farms Governance Audit report was issued.</p> <p>The Lease Compliance and Dilapidations Procedure defines processes for monitoring of compliance with tenancy conditions, this procedure is in draft and has not yet been submitted for approval. As identified above, no proactive monitoring has yet been undertaken and no exceptions have yet been identified.</p>	

APPENDIX III - Review of Key Control Areas

Control Area	Findings	Risk Status
<p>Dealing with and Learning From Complaints, Including Assurance that Complaints are being Dealt With in a Timely and Transparent manner</p> <ul style="list-style-type: none"> • Complaints are recorded independently • Monitored to ensure timely response • Reviewed to identify learning opportunities 	<p>A new Complaints procedure has been approved. This includes notifying both the Head of Property (Interim) and the Council’s Comments and Complaints Team that a complaint has been received and defines the process in accordance with Council’s corporate complaints handling procedure.</p> <p>We were provided with a complaints listing by the County Farms team. This identified three complaints received in June and July 2016, and none since, but it is not clear whether these have been dealt with in accordance with corporate protocols, or whether no other complaints were received since this record was produced (see also Appendix I, recommendation 7.13).</p> <p>There is no evidence of learning from complaints (see finding 7).</p>	<p>High</p>
<p>Identification, Dealing with and Reporting Conflicts of Interest</p> <ul style="list-style-type: none"> • Policy requiring declaration of interests • Communicated • Evidence of interests being declared 	<p>The Council’s Corporate Conflicts of Interest protocols apply to all Members and staff. See also Appendix I, 7.14</p> <p>We were provided with an example of an interest being declared by a team member and escalated. Declaration of interests is a standing item on the County Farms Advisory Board agenda.</p>	<p>Low</p>

APPENDIX IV - County Farms Advisory Board Comments

We attended a meeting of the County Farms Advisory Board on 4 November 2016 to seek views in response to the following question:

Does the County Farms Advisory Board have any comments on the governance or management of the County Farms Estate, since the recommendations in the audit reports were first published in April 2016, that they wish this follow up audit to record?

County Farms Advisory Board meeting Held 4 November 2016, Norfolk County Council

Present:

Cllr. Ian Mackie (Chair), Cllr Adrian Dearnley, Cllr. Tony White
Barry Pryke and Angela Mitchell (BDO)

The Board Members commented as follows:

1. The CFAB has, prior to issue of the April 2016 audit reports, raised concerns about governance arrangements and staffing to support the operation of the County Farms function. There have now been positive moves, including the appointment of experienced interim officers, but the Council needs to now move towards permanent appointments.
2. There was previously a lack of clarity over governance arrangements. Reports proposing the Constitution of a Business and Property Committee have been considered by the Economic Development Sub Committee (9 September 2016) and Policy and Resources Committee (26 September 2016). They will now be considered by the Constitution Advisory Group with recommendations being made to a future Policy and Resources Committee. The CFAB are confident the proposals will lead to a better position and urge swift resolution of the governance arrangements.
3. The CFAB recognises that the significant income generation benefits of County Farms for Norfolk County Council are dependent upon effective and sustainable staffing and support structures as well as the Council maintaining the acreage (through retaining or purchasing land) allocated to Council Farms.
4. The CFAB consider Member involvement in tenant selection to be an important part of the process. They recognise the sensitive nature of the issues within their remit and are satisfied that appropriate protocols were in place to enable objective tenant selection and to provide transparency over the decision making process. Nevertheless the proposed improvements to the governance arrangements will enhance wider understanding of the protocols in place.

APPENDIX V - STAFF INTERVIEWED

NAME	JOB TITLE
Adrian Thompson	Chief Internal Auditor
Richard Porter	County Farms Manager
Hugo Mallaby	Consultant
Dinesh Kotecha	Head of Property (Interim)
Andrew Johnson	Technical Officer
Cllr. Ian Mackie	County Farms Advisory Board Chair
Cllr. Adrian Dearnley	County Farms Advisory Board member
Cllr. Tony White	County Farms Advisory Board member

BDO LLP appreciates the time provided by all the individuals involved in this review and would like to thank them for their assistance and cooperation.

APPENDIX VI - DEFINITIONS

Recommendation Significance	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

APPENDIX VII - NORFOLK AUDIT SERVICES TERMS OF REFERENCE

The Terms of Reference for this review were prepared by Norfolk Audit Services.

We have undertaken this review in accordance with the objectives and scope specified in the Terms of Reference prepared by Norfolk Audit Services.

BACKGROUND

The County Farms Governance Arrangements Follow Up Audit follows on from the audit work carried out in September 2015 around the Governance arrangements for the Council's County Farms and a Key Lines of Enquiry report.

Our opinion based on the evidence we saw as part of the audit was that governance for County Farms had Key issues that need to be addressed.

A second report covered the key lines of enquiry from a number of complaints that had been received. Findings were raised and an action plan agreed.

The reports were presented to the Audit Committee on 21 April 2016. The report stated that "the Executive Director of Finance will ensure that the action plan to implement this report's recommendations are completed timely". The reports were subsequently reported to the County Farms Advisory Board and then the Economic Development Sub-Committee. Recommendations concerning the governance of County Farms were agreed by the Sub-Committee at its meeting in September 2016.

The County Farms team have been working on the action plan arising from the audit recommendations. An officer led County Farms Improvement Board has been reviewing the progress with the action plan.

OBJECTIVES

The objectives are to provide the Executive Director of Finance with reasonable assurance that:

- Recommendations and agreed actions from the original audit have been implemented, where appropriate.
- Where recommendations have not yet been implemented, robust and realistic plans are in place that are capable of being monitored.
- Responsibilities for the management of County Farms are clearly set out and understood.
- A clear improvement strategy supported by clear processes and systems is in place and complied with for the following:
 - Tendering and the setting up of Farm Business Tenancies
 - Acquisition and disposal of land and property
 - Setting and collection of rents
 - Monitoring of tenants to ensure compliance with Farm Business Tenancies
 - Budget monitoring
 - Reporting process to the Executive Director of Finance and Members
 - Identification, investigation, action and reporting of exceptions
 - Dealing with and learning from complaints
 - Identification, dealing with and reporting conflicts of interest.

APPENDIX VI - NORFOLK AUDIT SERVICES TERMS OF REFERENCE

SCOPE OF REVIEW

Review the recommendations and action plan from the original audit and any subsequent decisions by Members. This will be achieved through discussions with:

- relevant members of staff
- County Farms Advisory Board Members, who will be offered the opportunity to contribute to this follow up audit.

Processes will be confirmed by audit testing of relevant Committee and Advisory Board meeting papers, policies and procedures, appropriate documentation, forms and guidance.

Review current or planned policies and procedures in operation from 1 October 2016 for the day to day running of County Farms. This will be achieved by carrying out a review of the strategy, procedures and processes involved in the tendering process, acquisitions and disposals, monitoring of tenants - compliance with rental agreements, rent setting and recovery, monitoring of income and expenditure, reporting processes, exceptions, dealing with complaints and identifying conflicts of interest and conducting a walkthrough of each to ensure processes are being carried out as expected.

EXCLUSIONS

The audit will not include any views on the decisions made by Members.

DELIVERABLES

The audit will be undertaken by BDO LLP and managed by Claire Bunn (Norfolk Audit Services).

The cost of assurance has been considered against the potential benefits and the audit has been allocated 12 days.

It is assumed that staff and management will be available as required and all documents will be made available to us in a timely manner.

A draft report will be issued to:

- Richard Porter - County Farms Manager
- Dinesh Kotecha , Assistant Director, Property (Interim)

APPENDIX VI - NORFOLK AUDIT SERVICES TERMS OF REFERENCE

DOCUMENTATION REQUEST


Audit Stage	Date
Start fieldwork	31 October 2016
Number of audit days planned	12
Issue Draft Report	14 November 2016
Issue Draft Final Report	21 November 2016
Approval of Draft Final Report (including confirmation of adequate scope)	28 November 2016
Issue Final Report	5 December 2016
Audit Committee	January 2017 (synopsis)

CIRCULATION OF FINAL REPORT

1. Richard Porter	County Farms manager
2. Dinesh Kotecha	Head of Property (Interim)
3. Simon George	Executive Director, Finance and Commercial Services
4. Dr Wendy Thomson CBE	Managing Director
5. Thomas Osborne	Risk management Officer
6. Gavin Savage	Council's External Auditors

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NORFOLK COUNTY COUNCIL		
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