

Audit Committee

Date: **Thursday 26 September 2013**
Time: **10.30 am (Please note change of time)**
Venue: **Colman Room, County Hall, Norwich**

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

Membership: Mr B Bremner
Mr J Dobson
Mr A Gunson
Mr J Joyce
Mr I Mackie - (Chairman)
Mr M Smith
Mr R Smith - (Vice-Chairman)

A g e n d a

1 To receive apologies and details of any substitute members attending

2 Minutes

To confirm the minutes of the meeting held on 24 June 2013

(Page **5**)

3 Members to Declare any Interests

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

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

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

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an **Other Interest** in a matter to be discussed if it affects
- 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 To receive any items of business which the Chairman decides should be considered as a matter of urgency**
- 5 Norfolk Audit Services Quarterly Report for the quarter ended 30 June 2013.** (Page 20)
Report by Head of Finance
- 6 Work Programme** (Page 44)
Report by Head of Finance
- 7 Norfolk Pension Fund governance Arrangements and Management of Market Fluctuations** (Page 46)
Report by Head of Finance and Head of Pensions
- 8 Governance, Control and Risk Management of Treasury Management** (Page 63)
Report by Head of Finance
- 9 Ernst & Young – Annual Governance Report Audit 2012/13** (To follow)
Report by Ernst & Young
- 10 Norfolk County Council Annual Statement of Accounts 2012/13.** (To follow)
Report by the Head of Finance
- 11 Letter of Representation.** (To follow)
Report by the Head of Finance
- 12 Risk Management Report – 2nd quarter 2013/14.** (Page 69)
Report by the Head of Finance
- 13 Internal Audit Plan 2013-14 for Quarter 4** (Page 89)
Report by the Head of Finance
- 14 Audit Committee Terms of Reference** (Page 102)
Report by the Chairman

Chris Walton
Head of Democratic Services
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Martineau Lane
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NR1 2DH

Date Agenda Published: 18 September 2013



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Audit Committee
Minutes of the Meeting held on 24 June 2013 at 2pm in the
Colman Room, County Hall, Norwich

Present:

Mr B Bremner
Mr J Dobson
Mr A Gunson
Mr J Joyce
Mr I Mackie
Mr M Smith
Mr R Smith

Officers Present:

Mr J Baldwin	Finance Exchequer Service's Manager
Mr P King	Ernst & Young (External Auditor)
Ms K Last	Internal Audit
Ms V McNeill	Monitoring Officer/Practice Director NPLaw
Mr R Murray	Ernst & Young (External Auditor)
Mr A Thompson	Chief Internal Auditor
Mrs J Mortimer	Committee Officer

1 Apologies for Absence

- 1.1 An apology for absence was received from Paul Brittain, Head of Finance.

2 Election of Chairman

Mr I Mackie was elected Chairman of the Audit Committee for the ensuing year.

Mr I Mackie in the Chair

3 Election of Vice-Chairman

Mr R Smith was elected Vice-Chairman of the Audit Committee for the ensuing year.

Mr J Dobson wished it to be recorded that he did not agree with the Committee's decision to appoint Mr R Smith as Vice-Chairman of the Committee. No reason was given.

4 Minutes

- 2.1 The minutes of the meeting held on 25 April 2013 were agreed as a correct record and signed by the Chairman.

5 Declarations of Interest

- 5.1 Mr Mackie declared an other interest as a Member of Broadland District Council.
- 5.2 Mr Bremner declared an other interest as a Cabinet Member of Norwich City Council.
- 5.3 Mr Joyce declared an other interest as a Member of Broadland District Council.

6 Matters of Urgent Business

- 6.1 Although there were no matters of urgent business, the Committee wished to record their appreciation and thanks for the work carried out by Paul Brittain, Head of Finance during his tenure at Norfolk County Council. Mr Brittain was due to retire in September 2013.

7 Monitoring Officer's Annual Report 2012/13

- 7.1 The Committee received the annexed report (7) by the Head of Law and Monitoring Officer, summarising the internal governance work carried out in 2012/13 and providing assurance that the organisations control environment, in the areas which were the responsibility of the Monitoring Officer were adequate and effective.
- 7.2 During the presentation of the report, the Head of Law and Monitoring Officer confirmed that no reportable incidents had been dealt with and that the systems of internal control were adequate and effective.
- 7.3 The Head of Law and Monitoring Officer also confirmed that regular meetings had been held with the Standards Committee pre-Localism Act, as well as the post-Localism Act Standards Committee to review a range of standards issues.
- 7.4 In response to questions from the Committee, the following points were noted:
- Following an incident at a recent Cabinet Scrutiny Committee where a Member of the Council made a comment about the impartiality and integrity of officers, the Committee discussed whether any specific follow-up action was required. The Councillor concerned had made an apology at the meeting and had retracted his statement. The Head of Law and Monitoring Officer confirmed that, although she was aware of the incident she had received no notification of a formal complaint.
 - The committee agreed that if such an incident arose in the future, Members may need to be referred to the Code of Conduct and training arranged to remind Members of the importance of treating others with respect.

- The committee asked the Head of law and Monitoring Officer to draft a statement for the Chairman of Audit Committee to send to Group Leaders who would then cascade it to their Group Members, about the requirements to abide by the Code of Conduct and everyone with respect at all times.

7.5 The Committee requested a paper be brought to their next meeting on the elements of the Council's systems of internal audit as endorsed by the Audit Committee on 24 April 2007 on how the Audit Committee reviewed information on the effectiveness of the management processes and corporate control functions as provided by self assessment, customer feedback and any existing external performance reviews. The Committee could then decide if they wished to proceed on the same basis as that agreed by the Audit committee in 2007.

7.6 **RESOLVED** to note the report. Mr Dobson asked for it to be minuted that he did not agree to note the report. No specific reason was given.

8 External Audit – Understanding how the Audit Committee Gains Assurance from Management.

8.1 The Committee received the annexed report (8) by the Head of Finance introducing the External Auditor's paper at Appendix A of the report, highlighting a number of questions for the Committee to consider when assessing how the Audit Committee gained assurance from management.

8.2 The following points were noted in response to questions from the Committee to Mr Rob Murray, Ernst & Young (External Auditors):

- The Norfolk Pension Fund was a self governing body, separate from the County Council, with a Pensions Committee overseeing its investments. Members of the Audit Committee expressed some discomfort about having a watching brief on the investments as outlined in the Terms of Reference and the authorisation, publication and release of a separate report within the Statement of Accounts.
- The Pensions External Audit plan had been received and approved by the Pensions Committee at its meeting in June 2013.
- The Committee requested a briefing on the national responsibilities of the Pension Fund as the Committee didn't feel they had all the necessary information to give a considered opinion on the details contained in the Pension Fund part of the report.
- The Committee requested that the Head of the Norfolk Pensions Fund be asked to bring a report to the next meeting of the Audit Committee outlining the governance arrangements of the Pension Fund and to answer questions from the Committee. The paper to include how Ernst & Young were aligned to that governance and a statement on what the Norfolk County Council Pension Fund did when fluctuations in market conditions occurred.
- The Committee also requested information about the responsibilities of the Government relating to Pension Funds, which would assist them in

ascertaining what the government control of the Norfolk County Council Pension Fund was.

- The Chief Internal Auditor to draft a paper outlining the full responses to each of the questions outlined in Appendix A of the report and circulate the information to the Committee for their consideration.
- The Chief Internal Auditor agreed to circulate a copy of the terms of reference for the Audit Committee to Members.

8.3 **RESOLVED** to note the report.

9 External Audit Norfolk Pension fund Draft Audit Plan 2012/13

9.1 The annexed report by the Head of Finance was received by the Committee and introduced the External Auditor's Norfolk Pension Fund draft Audit Plan.

9.2 Mr R Murray, Ernst & Young introduced the report and the following points were drawn to the attention of the Committee:

- The report outlined the changes that had taken place over the last year in the governance arrangements and the planned approach to fulfil the responsibilities of the Audit Committee.
- Peter O'Neill, Ernst & Young had been appointed as auditor for the Norfolk Pension Fund.
- The reporting timetable set out in the report showed the key stages of the audit and the information that had been agreed to be provided to the Audit Committee during 2013. The dates were aligned with deadlines stipulated by the Audit Commission.
- The fees set out in paragraph 3.4 of the report showed a significant reduction following the Audit Commission's outsourcing exercise in 2012.
- There had been no breaches of independence or objectivity identified by Ernst & Young to date.

9.3 The following points were noted in response to questions from the Committee:

- To ensure full transparency of the procurement process was maintained, risk based audits constantly assessed the risks associated with the effectiveness of management controls when procurement contracts were drafted and put out for tender.
- Ernst & Young had been appointed as custodians for the Valuation Process for the Pension Fund. Custodians were appointed to ensure protection of assets and assurance was maintained.
- The Norfolk Pension Fund draft Audit Plan would usually be considered by the Audit Committee at their meeting in the first quarter of the year. The

reasons for the plan coming to the Committee in June this year was due to the outsourcing carried out by the Audit Commission in 2012.

- The Norfolk Pension Fund draft external audit plan for 2013/14 was currently being prepared at a high level which would lead to the understanding of the overall risks. Once the high level plan had been drafted, the Committee would receive the plan for 2013/14 in the autumn.
- The Committee had already requested that the Head of Norfolk Pension Fund be asked to attend the next Audit committee meeting to present a report on 26 September 2013 (Item 8 above). The Committee also requested that the report include the reasons that Norfolk Pension Fund had running costs for administration among the highest 20 organisations in the country.

9.4 **RESOLVED** to endorse the report.

10 Risk Management Report (1st Quarter 2013/14)

10.1 The annexed report by the Head of Finance was received by the Committee. The report provided the Audit Committee with an update of the Corporate Risk Register following the latest quarterly review conducted during the first quarter of 2013/14. The updated report also included details of the 19 risks proposed for inclusion within the Corporate Risk Register.

10.2 The following points were noted during the presentation of the report:

- The Corporate Risk Register had last been reviewed and updated in June 2013.
- The risks included within the report had been identified by Chief Officers and were considered the most likely risks to present the highest threat to the County Council at the present time.
- Five new risks had been added to the risk register
 - RM14113 – Failure in the delivery of the Willows Power and Recycling Centre.
 - RM14112 – Failure to meet the requirements of the Improvement Notice from DfE. This risk had previously been considered at a departmental level before being added to the Corporate Risk Register.
 - RM14097 – Shortage of personnel through illness, sustained industrial action, etc. including loss of key senior personnel.
 - RM14100 – Loss of key ICT systems.
 - RM14098 - Incident at key NCC premises or adjacent causing loss of access or service disruption.

- The Corporate Risk Register was reviewed by the Audit Committee regularly and contained risks which affected all departments of Norfolk County Council. The Corporate Risk Register was owned by the Chief Officer Group. Departmental risks were reported to the Overview and Scrutiny Panels regularly.
- Chief Officers identified items which were required to be added to the Corporate Risk Register as well as their own departmental risk registers. The Strategic Risk Management Team also worked with departments to identify risks within services and how those risks could be mitigated.
- Regarding risk RM14112 – Failure to meet the requirements of the Improvement Notice from DfE. This risk had appeared on the departmental risk register several times during recent months. Cabinet had also discussed that particular risk and had considered that it was being managed satisfactorily by the department. The decision to add it to the Corporate Risk Register now had been made by the Chief Officer Group.
- Regarding risk RM14113 – Failure in the delivery of the Willows Power and Recycling Centre. This risk had appeared on the Corporate Risk Register previously, but the emphasis previously had been on recycling and waste strategy. This new risk had been identified specifically to focus on the possibility of the termination of the contract and any associated costs involved.
- Risk Management Reports were considered by the Audit Committee at each meeting.
- Regarding risk RM14097 – Shortage of personnel through illness, sustained industrial action, etc. This risk had appeared previously on the risk register and had been reinstated with respect to the business continuity aspect and the challenges faced by the organisation at the present time.
- Regarding risk RM13917 – Loss of core infrastructure or resources being removed from the corporate risk register and being replaced by three separate risks. The Committee were reassured that there was a strategy in place to ensure that topics were only removed from the register when they had been fully investigated and the risks removed.
- The Committee requested that future Risk Management Reports to the Committee would show all the detail of the risks and the mitigating factors.

10.4 The Committee **RESOLVED** to note:

- the changes to the risk register
- the nineteen corporate risks.
- that the arrangements for risk management were acceptable and fulfilled Norfolk County Council's "Well Managed Risk – Management of Risk Framework".

11 Norfolk Audit Services Quarterly Report for the Quarter ended 31 March 2013

11.1 The annexed report by the Head of Finance was received by the Committee. The report summarised the results of the recent work carried out by Norfolk Audit Services (NAS) and gave an overall opinion on the adequacy and effectiveness of risk management and internal control within the County Council to give assurance that, where improvements were required, remedial action had been taken by Chief Officers.

11.2 The following points were noted during the discussion:

- The alternatives outlined in the project to consider the options for offering schools audits had been discussed at the Schools Forum meeting on 15 May. The Chief Internal Auditor confirmed he was waiting to hear the recommendations from the Schools Forum and that any detailed proposals would be brought to the Committee. The aim of the project was to be able to offer schools risk based coverage supported by an audit service that they wanted to purchase in order to maintain a tight reign on their finances and processes. Members requested that work was carried out to encourage schools to ensure they had their own internal audit controls in place.
- Work was currently being undertaken to take forward the options identified, with particular emphasis on efficiency.
- Schools were identified for audit using a RAG (red, amber, green) monitoring system and a league table which indicated the schools considered to be most at risk.
- The proposals in the project for schools audits were likely to try to focus on high risk schools within the control of the Local Authority. Academies were not audited as part of the routine work of the Internal Audit Team as they did not fall under the control of the Local Authority.
- The Chief Internal Auditor agreed to ascertain the criteria for Local Authority interventions in secondary schools if it was considered intervention was required and also whether the process was mandatory. The criteria would be circulated to the Committee.
- The Chief Internal Auditor confirmed that a principal of spot-checking would be introduced and he would be happy to receive the views from the Committee on any areas they wished the audit team to carry out spot-checks. It was noted that there would need to be a balance maintained between the work done and the greatest risks to the authority. The Committee agreed that it was appropriate to set aside time proportionate to carry out spot checks.

11.3 It was **RESOLVED** to agree

- The overall opinion on the effectiveness of risk management and internal control being 'acceptable' and therefore considered 'sound'.

- A clear policy to include unannounced 'spot' checking in the audit planning being agreed with Chief Officers, including promotion of that policy to ensure understanding by staff and managers that spot checking was possible, was approved and was likely to take place where it was necessary and proportionate and the benefits it provided. Initial areas to be included were cash floats and desirable portable asset verification.

12 Norfolk Audit Services – Annual Internal Audit Report 2012-13

- 12.1 The Committee received the Annual Internal Audit Report 2012 by the Head of Finance.
- 12.2 The Committee noted in particular the proposed future development areas for the internal audit team in 2013-14 and the proposed responsibilities in relation to fraud and corruption. The Chairman thanked staff for the work that had gone into delivering the audit plan.
- 12.3 **RESOLVED** to agree the key messages that:
- based on the report the Head of Finance could assure the committee that the adequacy and effectiveness of the system of internal control including the arrangements for the management of risk during 2012-13 was acceptable and considered sound.
 - Internal Audit was adequate and effective during 2012-13.
 - The work of Norfolk Audit Services for the year and the assurance provided assisted the Committee to reasonably assess the risk that the Financial Statements were not materially misstated due to fraud. The risks of fraud and corruption had been reviewed in the light of the economic downturn and planning and resources were considered adequate.

13 Internal Audit Plan 2013-14 for Quarter 3

- 13.1 The Internal Audit Plan 2013-14 for Quarter 3 report by the Head of Finance was received by the Committee.
- 13.2 The following responses were noted in response to questions from the Committee:
- Any work carried out by the Internal Audit team on behalf of the Norfolk Pension Fund was charged to the Norfolk Pension Fund. The report on this work was submitted to the Pensions Committee.
 - The controls for the Pension Fund had led to an acceptable opinion that their risk management, governance and internal control was sound. Although there was no direct report, if there were any key issues, they would be raised with the Audit Committee.
 - The details of the dedicated schools grant audit would be circulated to the Committee by the Chief Internal Auditor.
 - The funding for the Internal Audit team to carry out school audits was provided

out of the audit base budget which came under the control of the Head of Finance.

- Over the last four years, all schools in Norfolk under the responsibility of Norfolk County Council had been audited on at least one occasion.
- Proposals were being prepared for the Internal Audit Team to provide a service which could be bought in by schools rather than wholly relying on funding from the base budget. This service would focus on the areas considered to be most at risk.
- Audits were not routinely carried out on the completeness and quality of the goods received as the i-procurement system relied on the individual members of staff responsible for approving receipt of orders, highlighting that the goods ordered had been received correctly. It was hoped that anyone responsible for ordering goods would treat the ordering of goods in the same way they would spend their own money.
- The Chief Internal Auditor was asked to ascertain if there was a specific policy relating to Commissioning of Services and if so whether it had been updated and been approved by full Council.

13.4 RESOLVED to:

- Note that there had been no overall change to the 1,840 audit days (plus £25,000 contractor allowance) in the total strategy. As a result of some changes in planned audits for Quarters 1 and 2, there were 490 overall audit days proposed for quarter 3 (322 to support the audit opinion).
- Note that the proposed audit plan met the legislative requirements of the Accounts and Audit (England) Regulations (2011).
- Note the allocation of days set out in Appendix A of the report to meet the various elements of the strategy approved by the Audit Committee on 31 January 2013.
- Note that it did not wish to amend the schedule of audits, for 322 days, set out in Appendix B1 of the report and to note the outline topics in Appendix B2 (for Quarter 4) to deliver the audit work to support the opinion.
- Note that the internal audit plan for Quarter 3 of 2013-14 made adequate provision for the risk arising from organisational change, the economic downturn and that resources are sufficient to accomplish the plan.

14 Anti-Fraud and Corruption Update

14.1 The annexed report by the Practice Director NPLaw was received by the Committee. The report provided an update for the Committee on the Council's Anti-Fraud and Corruption Strategy and how it added value.

14.2 The following points were noted during the discussion:

- The Anti-Fraud and Corruption Strategy was continually reviewed and would be brought to a future Audit Committee meeting for consideration by Members.
- The possibility of developing an e-learning programme on fraud awareness for all staff was being considered although there was a need to be mindful about the amount of time used in getting all staff to complete on-line learning. The Committee noted that the focus recently had been on data protection and information security learning.
- The Audit Team were looking to promote a fighting fraud locally toolkit and rolling it out to assess its usability through ongoing promotion.

14.3 RESOLVED to note:

- The work to date, that there had been adequate progress and there was a plan for future work.
- That the strategy was consistent with best practice (including Fighting Fraud Locally) and that
 - It still met both internal measures and external inspection requirements.
 - Was effective, and
 - Added value.
- That the strategy had been considered in light of the economic downturn and was still considered to be adequate.

15 Statement of Accounts

15.1 The Committee received a verbal update by the Chief Internal Auditor regarding the preparation work on the Statement of Accounts, during which the following points were noted:

- The Statement of Accounts were currently under preparation after which they would be approved by the Head of Finance before being made available to the external Auditors and being published in draft on the website.
- The Statement of Accounts and Annual Governance Statement would be presented to the Committee at their meeting in September and it was expected that there would be no variations to the already agreed deadlines.

15.2 Any Committee member who wanted training prior to the next meeting when the Statement of Accounts would be considered was asked to contact the Chief Internal Auditor, or the Head of Finance, who would be happy to arrange this.

16 Work Programme

The Committee received a report by the Head of Finance setting out the work programme for the Audit Committee until April 2014.

The Committee requested sight of the Terms of Reference relating to the Audit Committee's involvement with the Pension Fund to ensure an appropriate level of scrutiny was maintained.

RESOLVED to note the report.

The meeting ended at 4.20pm

CHAIRMAN



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**Audit Committee
24 June 2013**

Agenda Item Number	Report Title	Action	By Whom	Deadline for reply to Democratic Support
7	Monitoring Officer's Annual Report 2012/13.	The committee asked the Head of Law and Monitoring Officer to draft a statement to Group Leaders for cascading to their Members about the requirements to abide by the Code of Conduct at all times, by treating everyone with respect. The statement to include some examples of acceptable and unacceptable behaviour.	Head of Law and Monitoring Officer	
7	Monitoring Officer's Annual Report 2012/13	The Committee to receive a paper at their next meeting on the elements of the Council's Systems of internal audit as endorsed by the Audit Committee on 24 April 2007 on how the Audit Committee reviewed information on the effectiveness of the management processes and corporate control functions as provided by self assessment, customer feedback and any existing external performance reviews. The Committee could then agree if they wished to proceed on the same basis as that agreed in 2007	Chief Internal Auditor	
8	External Audit – Understanding how the Audit committee gains assurance	The Committee requested that the Head of the Norfolk Pensions Fund be asked to bring a report to the next meeting of the Audit	Chief Internal Auditor to arrange	

	from management.	Committee outlining the governance arrangements of the Pension Fund and to answer questions from the Committee. The paper to include how Ernst & Young were aligned to that governance and a statement on what the Norfolk County Council Pension Fund did when fluctuations in market conditions occurred.		
8	External Audit – Understanding how the Audit Committee gains assurance from management	The Committee also requested that the above report include the reasons that Norfolk Pension Fund had running costs for administration among the highest 20 organisations in the country.	Chief Internal Auditor to arrange	
8	External Audit – Understanding how the Audit Committee gains assurance from management.	The Chief Internal Auditor to draft a paper outlining the full response to each of the questions outlined in Appendix A of the report and circulate the information to the Committee for their consideration.	Chief Internal Auditor	
8	External Audit – Understanding how the Audit Committee gains assurance from management.	A copy of the terms of reference for the Audit Committee to be circulated to Committee members.	Chief Internal Auditor	
11	Norfolk Audit Services Quarterly Report for the Quarter ended 31 March 2013.	The Chief Internal Auditor agreed to ascertain the criteria for intervention in secondary schools if it was considered intervention was required and also whether the process was mandatory. The criteria would be circulated to the Committee.	Chief Internal Auditor	
13	Internal Audit Plan 2013-14 for Quarter 3.	The details of the dedicated schools grant audit would be circulated to the Committee by the Chief Internal Auditor	Chief Internal Auditor	

13	Internal Audit Plan 2013-14 for Quarter 3	The Chief Internal Auditor to ascertain if there was a specific policy relating to Commissioning of Services and if so whether it had been updated and been approved by full Council.	Chief Internal Auditor	
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**Norfolk Audit Services Quarterly Report
For the Quarter ended 30 June 2013**

Report by the Head of Finance

Summary

The purpose of this report is to:

- summarise the results of recent work by Norfolk Audit Services (NAS), to give an overall opinion on the adequacy and effectiveness of risk management and internal control within the County Council and to give assurance that, where improvements are required, remedial action has been taken by Chief Officers.
- explain the options for the approach to the review of the elements of the Council's 'Systems of internal audit' as previously endorsed by the Audit Committee on April 2007, to enable the Committee to decide if they wish to proceed on the same basis.
- provide an update on:

Changes to the approved internal audit plan, Chief Officer's approval of: the Internal Audit Policy on Unannounced 'spot' checking; the proposed future schools audit offering; the preparations for an Audit Authority for the France Channel England Interreg Operational Programme; the difference we are making; and the Council's service transformation programme assurance.

Recommendation

The Audit Committee is asked to consider and comment on:

- the overall opinion on the effectiveness of risk management and internal control being 'Acceptable' and therefore considered 'Sound'
- the effectiveness of the management processes and corporate control functions being provided by self assessment, customer feedback and any existing external performance reviews, including periodic independent assurance on the application of the relevant internal audit standards, thus developing the approach agreed in April 2007 and January 2009.
- the changes to the approved 2013-14 internal audit plan, described in Appendix D
- Internal Audit's policy to include unannounced 'spot' checking in the audit planning process and its promotion to all staff and managers across the Council as agreed by Chief Officers
- satisfactory progress with the preparations for an Audit Authority for the France Channel England Interreg Operational Programme

The Audit Committee is asked to approve the schools audit offering described in paragraph 4.5.

1. Background

- 1.1 Audit work and reporting assurance on the adequacy and effectiveness of Governance, Risk Management and Internal Control forms part of the achievement of the Council's Plans and its Strategic Ambitions.
- 1.2 Internal Audit work on assurance for the first quarter, ended June 2013, was set out in the half-year Internal Audit Plan presented to Chief Officer Group and approved by the Audit Committee at its April 2013 meeting. The Council has to undertake sufficient audit coverage to comply with the Accounts and Audit Regulations 2011. The allocation of audit time was based upon a risk assessment and this is continuously reviewed throughout the year.
- 1.3 The work undertaken by Internal Audit 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. Internal Audit is responsible for communicating the final results of their audit work to parties who can ensure that the results are given due consideration.
- 1.4 This report summarises internal audit's work for the quarter ended 30 June 2013 and includes (as required by Financial Regulation 4.3.2 and the Audit Committee Terms of Reference):
 - an opinion on the adequacy and effectiveness of the Council's internal control and risk management arrangements,
 - any corporately significant issues arising and
 - an assurance that action has been taken as necessary.
- 1.5 The External Auditor is required to check that those charged with governance (the Audit Committee) oversee management arrangements for identifying and responding to the risks of fraud and the establishment of internal control.
- 1.6 The Audit Committee oversees Chief Officer's arrangements for identifying and responding to the risks of fraud and the establishment of internal control. Norfolk Audit Services' work includes implicitly work that covers the prevention, detection and investigation of any fraud or corruption that may occur. Reports on the audit findings clearly set out those findings which increase the risk of fraud and who has responsibility for ensuring that recommendations are implemented and the risk of fraud minimised.

- 1.7 Awareness and understanding of the Anti Fraud and Corruption Strategy and associated documents by Members, staff and those we do business with is being promoted and is a key measure for their success.
- 1.8 After consideration of the risks from the economic downturn, the Anti Fraud and Corruption planning and resources were considered sufficient. A revised Anti Fraud and Corruption strategy, to incorporate the latest best practice, appears separately on this agenda.
- 1.9 We continually review our performance and costs. We participate in the CIPFA Internal Audit Benchmarking Club which compares us to similar County Council Internal Audit teams.
- 1.10 It was noted at the June 2013 Audit Committee that the Committee would receive a paper at their next meeting on the elements of the Council's systems of internal audit as endorsed by the Audit Committee on April 2007 on how the Audit Committee reviewed information on the effectiveness of the management processes and corporate control functions as provided by self assessment, customer feedback and any existing external performance reviews. The Committee could then decide if they wished to proceed on the same basis as that agreed by the Audit Committee in 2007. This topic is covered at part three of this report, below, covering review of the effectiveness of internal audit.
- 1.11 At the April Audit Committee meeting it was requested that, as the Internal Audit Team had the powers to carry out spot checks these should be promoted and checks undertaken. An Internal Audit Policy on this was agreed by Chief Officers and consideration is given to this in part four of this report.

2. Work Completed during the quarter

- 2.1 Delivery of final reported audits for the quarter ended 30 June 2013 is considered satisfactory and sufficient.
- 2.2 There were 34 final audit reports issued during this quarter, 20 schools audits and 14 non-schools. Seven grant claims were certified during the quarter. A list of these reports is attached as Appendix A. There were also six follow up reports completed in the quarter with no exceptions raised. A list of those reports is attached as Appendix B.
- 2.3 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. In 2012/13, 69.14% of NAS time was spent on "productive" activities, ie work which contributes to and supports the opinion of the Chief Internal Auditor. The proportion of productive time for the quarter was 62.67% and this is considered satisfactory.

- 2.4 There have been no reported instances in the quarter of non compliance by Members with the Members Allowances rules or Chief Officers with their Expenses rules.
- 2.5 From time to time Internal Audit is notified of allegations. 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. No formal investigations were started in the quarter. An investigation in Children's Services was completed in the quarter. Although there were internal controls that needed strengthening this audit did not lead to any requirement for disciplinary action.

3. Review of the effectiveness of Internal Audit

- 3.1 The Accounts and Audit (Amendment) (England) Regulations 2006 (amended in 2011) require that the Council shall, at least once in each year, conduct a review of the effectiveness of its internal audit. The findings of this review then need to be considered by a committee of the Council, or by the members of the Council as a whole, as part of the consideration of the Council's system of internal control. In this Council's case, the Audit Committee fulfils this function and the assessment was reported in the Annual Internal Audit Report 2012-13 presented in June 2013 (TN5 on pages 89 and 90). That assessment was based on the option of self reviewed information on the effectiveness of the management processes and corporate control functions as provided by self assessment, customer feedback and any existing external performance reviews, which the Committee had approved on 28 January 2009.
- 3.2 The previous framework to support the assessment of internal audit, the CIPFA Code of Practice for Internal Audit in Local Government (2006), was superseded on 1 April 2013 by a new framework: the United Kingdom Public Sector Internal Audit Standards (UKPSIAS) and associated the Local Government Application Note (LGAN). These again include a clear requirement for an annual evaluation of the internal audit activity's compliance with the Standards as well as an assessment of the efficiency and effectiveness of the internal audit activity. The outcome of the annual assessment is to be reported annually to the Board. In this Council's case, the Audit Committee fulfils this function and any assessment will be reported in the Annual Internal Audit Report 2013-14 presented in June 2014.
- 3.3 In 2013-14, as part of the agreed audit plan and in the first year of the new standards regime, Norfolk Audit Services engaged an external contractor to carry out a full independent assessment of NAS compliance with the UKPSIAS. The outcome of that work was that "NAS is largely compliant with regards to the PSIAS". There was one key area in which improvements needed to be made before the overall audit report for the year ended 31 March 2013 could be issued and include a statement of compliance. This has now been completed.

- 3.4 The key area for improvement related to the absence of a formal 'Quality Assurance and Improvement Programme', which is an essential part of the new standard's system of expected controls to ensure the effectiveness of the internal audit function. Elements for a quality assurance strategy and improvement plans are included in various documents, such as our delivery strategy, as approved by the Audit Committee at its January 2013 meeting and our Customer Pledge. The assessment however identified the need for a separate and comprehensive policy document to be in place and that has now been completed. Other less significant weaknesses were identified, which will be fully addressed by 31 March 2014.
- 3.5 Building on the above mentioned independent assessment the options for the further review of the effectiveness of Internal Audit are set out in Appendix C.
- 3.6 The continuation of Option 1, the self reviewed information on the effectiveness of the management processes and corporate control functions as provided by self assessment, customer feedback and any existing external performance reviews (including the independent assessment mentioned above), is considered to provide sufficient assurance and moreover the best value for money.

4. Changes to the Audit Plan 2013-14 and matters arising since the end of the quarter

- 4.1 Changes have been made to the agreed Internal Audit Plan for 2013-14. 102 days in the original plan are subject to change. From those days 73 days have been re-allocated into new priority audit work and 29 were not reallocated on a risk assessed basis. The changes, which have been agreed with the Head of Finance, are set out in Appendix D for the latest quarter and are reflected in the planning for the fourth quarter's internal audit plan elsewhere on this agenda.

Spot checks

- 4.2 At the April Audit Committee meeting it was requested that as the Internal Audit Team carry out spot checks. The County Council starts from a position of trusting staff and managers and that controls should be in place and effective. Unannounced 'Spot' checking can be appropriate where there is a high risk that prior notice of an audit visit may lead to poor practices, including fraud, being rectified temporarily and therefore less likely or not being identified during the audit.
- 4.3 A policy to include unannounced 'spot' checking in the audit planning has been agreed with Chief Officers and will be promoted during quarters 3 and 4.
- 4.4 The internal audit plan for quarter four, elsewhere on this agenda, includes two audits, which will use unannounced 'spot' checking as part of the audit tests. These audits relate to cash floats and desirable assets.

Schools Audit Approach - Proposed changes in the audit process from January 2014

- 4.5 The following changes to our audit delivery have been developed with input from the Service Support Manager, the Finance Business Partner (Children's Services) and Head of Schools Finance, members of the Finance Consultative Group and other school Staff and Governors. The objective of the review was to offer a valued school audit service that provides adequate assurance to meet the statutory requirements of the Head of Finance and is considered effective and value for money by governors and headteachers. We consider that the proposed approach will give a good level of assessment, advice and overall assurance through targeting higher risk schools and topics, sharing risks and recommendations and highlighting areas of good practice.

The changes, that we plan to implement from 1 January 2014, are as follows:

- Each year a proportion of schools assessed as 'higher risk' will receive a full audit. Risk will be assessed on a number of factors including the Red Amber Green (RAG) rating, budget size, Schools Financial Value Standard (SFVS) returns, third party concerns and time elapsed since their last audit. All maintained schools will be considered. Key findings will be shared with all schools through our newsletter.
- The audit visits will be based on our current process and the results of the audit will be used to inform our overall assurance.
- A programme of themed audits will be introduced focussing on the higher risk topics. These will include some verification checks on the SFVS returns completed for a sample of schools. We will also continue to include schools in our testing for cross cutting audits such as contract management and payroll. Topics will be discussed and agreed each year with the Finance Business Partner (Children's Services) and Head of Schools Finance. The results of these audits, including examples of good practice, will be reported directly to the schools involved. The recommendations for improvements and good practice points will be summarised and shared with all schools.
- A traded audit will be offered to all maintained schools based on the current audit process but flexible in being able to meet the needs of individual schools at the request of the chair of governors and Headteacher. For example they may feel confident in their governance arrangements but need more assurance on income generation and collection. The audit will be charged at cost and arranged on an ad hoc basis. Although schools will be provided with a report and overall opinion on their own financial control, this opinion will not be used to inform the RAG rating or our overall opinion on school's financial management. The purchase of an independent audit from NAS or other providers may be considered as a positive indicator for the RAG rating.

- We will continue to provide advice on an ad hoc basis to individual schools free of charge and will work closely with the School's Finance Team to ensure that schools receive accurate and consistent information. We will also continue to issue regular Audit Newsletters for schools free of charge.
 - NAS staff will be available to assist with irregularities or carry out investigations as necessary. We may however set in place arrangements and agreements to charge schools for any additional work incurred as a result of failure by the Governing Body to abide by the Norfolk Scheme for Financing Schools (6.2.22)
 - A traded audit service will be available to Academies from 2014 and this is likely to include termly or quarterly visits to perform independent internal audit checks and provide assurance in line with the requirements of the Academies Financial handbook.
- 4.6 The Schools Forum was consulted on the above approach and while they noted the contents of our report (shown at Appendix E), they also commented as follows:
- School Forum members highlighted the point that in light of less frequent auditing schools should scrutinise the control mechanism periodically.
 - Members were concerned that with fewer audits being carried out standards may slip.
 - Members suggested a 'phased payment system' that would entitle schools to a full audit at some point within the cycle as part of the traded offer.
 - It was suggested that if the NAS had to go into a school because of potential risk this school should pay more for the service.
- 4.7 The Schools Forum points, at 4.6 above, have been noted and will be incorporated in our planning and reviewing for the service. A key outcome of our audits is to improve internal controls and risk management in schools. The Schools Forum welcomed the marked increase in Schools achieving an 'Acceptable' internal audit opinion (Appendix E, part 3) over the previous four years.
- 4.8 Any significant changes to the proposals outlined will be reported back to the Audit Committee, the Schools Forum and the Finance Consultative Group. We will continue to seek feedback from individual schools so that our service can be flexible and continue to meet the changing needs of school governors and staff.

Audit Authority preparations

- 4.9 On 10 June 2013 Cabinet approved the proposal to submit a Norfolk Bid for the France Channel England Interreg Programme as Managing Authority. That bid included running an Audit Authority to ensure that the programme is run in compliance with the regulations. Norfolk was successful with the bid and preparations are now being made to set up the Managing Authority, the Audit Authority and the Certifying Authority for the programme to manage the new

programme from 2014. The Corporate Programme Office is facilitating the development of what is deemed a major project management process. The Audit Committee will be kept informed of progress with preparations for the new Audit Authority. All the activity to administer the programme is funded by the programme.

5. NAS Reports having Corporate Significance

5.1 The following criteria are used to assess whether reports are of corporate significance:

- The amount of money that is at risk, normally this will be material amounts
- Any policy implications for the Council as a whole
- Topical issues, having a potential political or public interest
- Where it has not been possible at COG to reach agreement on significant issues or the action that is required to address the issues
- Where agreed action has not been taken at the time of the follow-up audit.

5.2 There were no corporately significant reports issued in the quarter ended 30 June 2013.

6. The difference we are making

6.1 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.

6.2 Sufficient final and draft reports and follow up audits have been completed to inform the opinion detailed in paragraph seven below.

6.3 Norfolk Audit Services' work continues to give due consideration to the risk of fraud and corruption and to the controls in place to mitigate those risks. In August 2013, an Anti-fraud and Corruption induction course was implemented onto the Council's Learning Hub. The content was developed by Deloitte and Touche and is designed to improve awareness to the background of fraud and corruption in local authorities, what constitutes fraud and how to detect fraud. All staff and members are being encouraged to undertake the course as part of a continuous communications strategy.

6.4 Norfolk Audit Services have adopted a "Statement of Customer Pledge and Remedy" which is published on the Council's internet. NAS issues Customer Satisfaction Questionnaires with the draft reports and has received overall positive feedback from these questionnaires for the quarter ended 30 June 2013. Of the 34 reports issued in the quarter and seven grants signed off, 23 questionnaires

were returned. Complimentary comments were made whereby auditors were described as 'very approachable and knowledgeable'. Of the 23 questionnaires, 168 questions were asked. 57.74% of clients were very satisfied, 41.07% were satisfied and 1.19% were disappointed. There were no clients who were very disappointed.

7. The Service Transformation Programme

- 7.1 We have continued to work with colleagues in the Corporate Programme Office and provide advice, support and challenge in order to seek assurance on the continued good governance, internal controls and risk management of services that are subject to organisational change. To ensure a joined up approach, consistency and to avoid duplication, we are reporting to the Audit Committee our conclusions on the management of the change programme based upon our review of the existing reporting to Chief Officers and Members. If any exceptions are reported or we are requested by Chief Officers we will consider if more detailed audit work is required. The performance management framework for Norfolk County Council is reported to Cabinet. The achievements from and any risks for the change programme are reported to Members and Chief Officers via a 'dashboard', risk registers and financial reporting. The key projects are supported and closely monitored by the relevant Finance Business Partners reporting to the Head of Finance.
- 7.2 As it enters its final year, the rating for the overall programme remains Amber. Mitigating actions are in place and COG continues to monitored progress closely. COG also formally reviewed the shape and scope of the 2012/13 programme and projects and confirmed that the scope of Norfolk Forward continues to meet the key organisational priorities in terms of savings delivery, transformation and responding to new legislation. Resource demands, particularly on shared services and especially HR, continue to be cited as a significant issue.
- 7.3 We will continue to liaise with the Corporate Programme Office to ensure our internal audits assist them in tackling the challenges they are facing.
- 7.4 My review of the reporting at June 2013 concludes that governance, controls and risk management for the service transformation programme are acceptable.

8. Overall Opinion

- 8.1 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'.

- 8.2 My opinion is that the adequacy and effectiveness of risk management arrangements and internal control within the Council is **‘Acceptable’** and therefore considered ‘Sound’.
- 8.3 My opinion is based upon:
- Final reports issued in the quarter (representing a proportion of the planned audit coverage for the year).
 - The results of any follow up audits.
 - The results of other work carried out by internal audit.
 - The corporate significance of the reports.

9. Environmental Implications

- 9.1 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.
- 9.2 This report does not contain any proposed change, which may have an environmental implication.

10. Equalities Impact, Resource and Other Implications

- 10.1 There are no implications with respect to equalities or resources with respect to this report and there are no other implications.

11. Section 17 – Crime and Disorder Act and Anti Fraud and Corruption

- 11.1 Under Section 17 of the Crime and Disorder Act, 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.
- 11.2 Internal Audit work helps with the aim of prevention of crime in Norfolk in that its work results in the likelihood of detection and prosecution increasing.
- 11.3 The profile of Anti Fraud and Corruption arrangements remains high and we are responding to the challenges that arise. Our Anti Fraud and Corruption Strategy, approved by the Audit Committee in September 2011, remains in place.

12. Risk Management

- 12.1 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.

13. Conclusions

- 13.1 34 final reports, six follow-up reports and seven grant claims have been issued in the quarter to support the opinion that the adequacy and effectiveness of the risk management and internal control within the council is 'acceptable' and therefore considered sound.
- 13.2 NAS has received positive feedback on audits during the quarter ended 30 June 2013.
- 13.3 A clear policy to include unannounced 'spot' checking in the audit planning has been agreed with Chief Officers, and will be promoted in the coming months. Proposals for the quarter four audit plan include two audits, which will include unannounced 'spot' checking in their programme of testing.
- 13.4 Norfolk Audit Services has satisfactorily address the key issue identified through its internal assessment of compliance with the UKPSIAS. The continuation of the self reviewed information on the effectiveness of the management processes and corporate control functions as provided by self assessment, customer feedback and any existing external performance reviews (including the independent assessment above) is considered to provide sufficient assurance and moreover the best value for money.
- 13.5 The preparations for the future schools audit offering and the France Channel England Interreg Audit Authority are progressing satisfactorily.

14. Recommendation

- 14.1 The Audit Committee is asked to consider and comment on:
- the overall opinion on the effectiveness of risk management and internal control being 'Acceptable' and therefore considered 'Sound'
 - the effectiveness of the management processes and corporate control functions being provided by self assessment, customer feedback and any existing external performance reviews, including periodic independent assurance on the application of the relevant internal audit standards, thus developing the approach agreed in April 2007 and January 2009.
 - the changes to the approved 2013-14 internal audit plan, described in Appendix D

- Internal Audit's policy to include unannounced 'spot' checking in the audit planning process and its promotion to all staff and managers across the Council as agreed by Chief Officers
- satisfactory progress with the preparations for an Audit Authority for the France Channel England Interreg Operational Programme

14.2 The Audit Committee is asked to approve the schools audit offering described in paragraph 4.5.

Officer Contact

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

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

Norfolk Audit Services Final Reports Issued in the Quarter Ended 30 June 2013

There were 34 final reports and seven grant claims certified during the quarter. There were also six follow up reports completed in the quarter.

Final Reports

Children's Services

1. 16-19 Funding
2. Shrublands

Community Services

3. Adult Care Assessments
4. Contract Management - Norse

Corporate Resources

5. Transparency / Stewardship
6. Norfolk Forward Post implementation Reviews and Compliance with Guidance

Environment, Transport and Development

7. Flood and Water Management Plans part 2 (Part 1 2011-12)
8. Routewise System

Finance

9. Accounts Receivable - Cyclical
10. Carefirst - Community Services
11. Payroll - The Pensions Reform
12. Budget Setting and Monitoring - Cyclical
13. Work Supporting the 2012-13 Annual Governance Statement

Fire

14. Contract Audit

Schools

15. Bressingham Primary School

16. Burston Community Primary School
17. Cliff Park High School
18. Fakenham High School & College
19. Fakenham Infant & Nursery School
20. Holly Meadows School
21. John Grant School
22. Moorlands CE Primary School
23. North Walsham Junior School
24. North Walsham High School
25. Preston CE VC Primary School
26. Rudham CE VC Primary School
27. Runcion Holme CE VA Primary School
28. Sedgeford Primary School
29. Sprowston Community High School
30. St Williams Primary School
31. Sutton CE VC Infant School
32. Tivetshall Primary School
33. Wormegay CE VA Primary School
34. Wreningham VC Primary School

Grants claims certified

1. Leader
2. Leader - Processes
3. Police and Crime Panel
4. NORSE Bus Service Operators Grant (BSOG)
5. SURF (Sustainable Urban Fringes)
6. Travel and Accommodation Only
7. VRA (Vital Rural Areas)

Schedule of Follow Up Audits Completed in the Quarter ended 30 June 2013

Finance

1. Departmental Finance Systems Feeding Into the Main Financial Systems

Schools

2. Bure Valley School
3. Emneth Nursery School
4. Emneth Primary School
5. Howard Junior School
6. Swaffham CE VC Infant School

Review of the Effectiveness of the Systems of Internal Audit

Option Advantages and Disadvantages

Option	Advantages	Disadvantages
1 Self Assessment	<p>1 No additional cost to the Council</p> <p>2 A combination of existing self, internal and external review</p> <p>3 Internal audit already review and report on an annual basis for the key systems and management controls of the council and report on their effectiveness and any areas for improvement.</p>	<p>1 Not fully independent. Full accredited assessment needed at least once every five years to maintain UK Public Sector Internal Audit Standards (UKPSIAS).</p>
2 Internal Peer Review	<p>1 One step away from self review.</p>	<p>1 Internal resource required with necessary training time.</p> <p>2 Training required for those undertaking the review to ensure that they understand what they are reviewing.</p> <p>3 Costs in terms of additional time of reviewers and those to be reviewed.</p>
3 External Peer Review	<p>1 External review, independent of the Council.</p> <p>2 As a peer review, those undertaking the review have knowledge of the scope and remit of the system of internal audit.</p>	<p>1 Need to find a local authority with capacity and willingness to do it.</p> <p>2 May be a charge made by the other local authority unless a reciprocal review service can be provided.</p> <p>3 Additional staff time to provide</p>

		<p>information for the peer review.</p> <p>4 Additional staff time if reciprocal arrangement required.</p> <p>5 Lack of detailed knowledge of the Council and its processes.</p>
4 Contracted Independent Review	<p>1 Fully accredited 'External review' which fulfils UKPSIAS requirements which is required at least once every five years.</p> <p>2 Knowledge of the system of internal audit.</p>	<p>1 Cost of external provider (estimated 5 days at £600 = £3,000).</p> <p>2 Time required for procurement.</p> <p>3 Lack of detailed knowledge of the Council and its processes.</p>

Changes to the Internal Audit Plan 2012-13

Audit From Original Approved 2012-13 Plan	Department	Days Out	Reason For Change	New Audit Now in Plan	Days Re-applied	Reduction in the Approved Plan (days)
Early Years - Settings of Concern	Children's Services	25	Legislation changes will change role of LA in Early Years governance.	Possible audit re 'Information Governance review' May 2013 (to be discussed with PCM)	25	0
Schools Audits	Children's Services	10	Additional audit included in plan.	Records Office	10	0
Schools Audits	Children's Services	10	Additional audit included in plan.	Desirable Portable Assets (Laptops)	10	0
SEN travel spend	Children's Services	15	Since agreement of original audit plan children's services have reviewed all SEN travel placement with the school placement to see if savings could be made. This took place in May 2013 and resulted in an assessment of actions and potential benefits which have been suggested for further development and action by the department, hence no longer a need for this audit.	None	0	-15
Monitoring of Financial Savings	Norfolk Forward		Re-scope of the audit to understand the corporate controls without carrying out detailed testing on numbers,	Same audit but reduced scope		

		22	based on assurance obtained so far from the service accountants.		13	-9
Recycling Centre Management	ETD	20	Scope of the audit reduced. Reduced audit resource.	Same audit but reduced scope	15	-5
Totals		102			73	-29

Norfolk Audit Services Briefing to the School Forum regarding the future of school audit offering

Norfolk Schools Forum
12 July 2013
Item

Norfolk Audit Services

Annual Schools Audit update

A Report by Norfolk Audit Services (NAS) Chief Internal Auditor

This report sets out the arrangements for the schools audits and describes;

Key messages
Achievement of objectives
Changes since September 2012
Proposed changes in the audit process
Progress against targets 2012-13
Anti fraud and corruption
Customer Satisfaction Questionnaire feedback.

1 Introduction and purpose

NAS reports back to the Schools Forum annually with an update on the progress of the schools audit programme and any changes to the process, along with details of any other significant issues relating to risk and control in schools. This was agreed with the Schools Forum in September 2007.

In March 2012 we completed a four year audit programme covering all Norfolk maintained schools. Since then we have provided statutory audits to schools on the basis of higher risk schools being visited every three years with the remainder receiving a visit every five years. This approach was agreed with the Schools Forum in July 2011.

The requirements of Enterprising Norfolk and further reductions in public spending have made it necessary for us review our audit delivery to schools as we outlined in our advisory note to the Schools Forum on 15 May 2013. Details of those proposed changes are included on pages 3 and 4 of this report.

2 Key Messages

- The risk of budget overspends remains high in the current financial climate and this demands strong financial management in order to maximise the use of resources for

the benefit of Norfolk children. Meanwhile it is good to note that the number of reported irregularities in our schools remains low, indicating good overall financial control, monitoring, support and advice.

- The introduction of the Schools Financial Value Standard (SFVS) provides a consistent means of self assessment that should be taken seriously. It gives the opportunity for school staff and governors to review and take responsibility for governance and internal control in their school.
- Our focus will be to sustain and build on the progress made by school staff and governors, our staff and those of the Schools Finance Team so there is a high standard of financial management in all Norfolk schools.
- As always, we welcome any feedback from the Schools Forum that will help us deliver a valued and effective service within the resources available.

3 Achievement of Objectives

Our statutory objective is to provide assurance on the adequacy of financial management to the Head of Finance. The current audit programme has had the additional benefit of providing advice and assurance on internal control to headteachers and governing bodies for their individual schools.

A summary of our audit opinions is given in the table below. The results show that internal control continues to improve in the schools we visited, most notably in primary schools. Secondary schools still have a higher percentage of schools with key issues identified, indicating that the size of the school budget and range of activities increases the risk of poor internal control.

For schools that had a 'Key issues that need to be addressed' opinion a follow-up of the actions taken is carried out by the Schools Finance team and the results reported to the Headteacher and Chair of Governors by NAS. We are pleased to report that in all cases followed up during in 2012-13 the findings from the audit had been, or were being, adequately addressed.

The percentages for schools with 'Acceptable' and 'Key Issues' audit opinions for each of the years since September 2007 are shown below.

Year	Secondary Schools			Primary & Special Schools		
	Total	% Acceptable	% Key Issues	Total	% Acceptable	% Key Issues
2007- 2008	8	25	75	52	40	60
2008 - 2009	8	50	50	92	63	37
2009 - 2010	7	43	57	66	65	35
2010 - 2011	28	46	54	58	83	17
2011 - 2012	-	-	-	120	77	23
2012 – 2013	8	63	37	94	83	17
2013-2014 (up to end of June and including draft reports)	5	80	20	10	100	-

In addition to our school compliance audits last year we carried out a review of the monitoring, controlling and decision making processes carried out in School's Finance Team for school's requests for additional exceptional year-end surplus balances. The overall audit opinion was acceptable and action has been taken to address the few audit findings reported.

4 Changes since September 2012

Since our last report to the School's Forum on 12 September 2012 the following changes have occurred:

- Following an investigation and several years of legal dialogue Downham Market High School have now received the full proceeds of recovery from the Local Government Pension Scheme.
- SFVS returns were required from all schools by 31 March 2013. In Norfolk all but three schools submitted their returns by the due date, one has since been received and two are due to submit returns by the end of the summer term.
- The NAS budget allocated to school audits was reduced to 500 days for the financial year 2012-13 and further reductions are planned for 2013-14 and beyond. A revised approach to our audit delivery to best utilise our future budgets is outlined below.
- A NAS representative continues to attend meetings of the Finance Consultative Group. Members of the group have been consulted on the proposed changes to our audit delivery and their feedback has been valuable in shaping the way we deliver the revised service.

5 Proposed changes in the audit process from January 2014

The following changes to our audit delivery have been developed with input from the Service Support Manager, the Finance Business Partner (Children's Services) and Head of Schools Finance, members of the Finance Consultative Group and other school Staff and Governors. The objective of the review was to offer a valued school audit service that provides adequate assurance to meet the statutory requirements of the Head of Finance and is considered effective and value for money by governors and headteachers. We consider that the proposed approach will give a good level of assessment, advice and overall assurance through targeting higher risk schools and topics, sharing risks and recommendations and highlighting areas of good practice.

The changes that we plan to implement from 1 January 2014 are as follows:

- Each year a proportion of schools assessed as 'higher risk' will receive a full audit. Risk will be assessed on a number of factors including the RAG rating, budget size, SFVS returns, third party concerns and time elapsed since their last audit. All maintained schools will be considered. Key findings will be shared with all schools through our newsletter.
- The audit visits will be based on our current process and the results of the audit will be used to inform our overall assurance.
- A programme of themed audits will be introduced focussing on the higher risk topics. These will include some verification checks on the SFVS returns completed for a

sample of schools. We will also continue to include schools in our testing for cross cutting audits such as contract management and payroll. Topics will be discussed and agreed each year with the Finance Business Partner (Children's Services) and Head of Schools Finance. The results of these audits, including examples of good practice, will be reported directly to the schools involved. The recommendations for improvements and good practice points will be summarised and shared with all schools.

- A traded audit will be offered to all maintained schools based on the current audit process but flexible in being able to meet the needs of individual schools at the request of the chair of governors and headteacher. For example they may feel confident in their governance arrangements but need more assurance on income generation and collection. The audit will be charged at cost and arranged on an ad hoc basis. Although schools will be provided with a report and overall opinion on their own financial control, this opinion will not be used to inform the RAG rating or our overall opinion on school's financial management. The purchase of an independent audit from NAS or other providers may be considered as a positive indicator for the RAG rating.
- We will continue to provide advice on an ad hoc basis to individual schools free of charge and will work closely with the School's Finance Team to ensure that schools receive accurate and consistent information. We will also continue to issue regular Audit Newsletters for schools free of charge.
- NAS staff will be available to assist with irregularities or carry out investigations as necessary. We may however set in place arrangements and agreements to charge schools for any additional work incurred as a result of failure by the Governing Body to abide by the Norfolk Scheme for Financing Schools (6.2.22)
- A traded audit service will be available to Academies from 2014 and this is likely to include termly or quarterly visits to perform independent internal audit checks and provide assurance in line with the requirements of the Academies Financial handbook.

Any significant changes to the proposals outlined will be reported back to the Schools Forum and the Finance Consultative Group. We will continue to seek feedback from individual schools so that our service can be flexible and continue to meet the changing needs of school governors and staff.

Our proposals will be presented to the County Council's Audit committee in September 2013 for approval.

6 Progress against targets 2012-13

In the financial year 2012-13 we audited 102 schools, including eight Secondary, 91 Primary and three Special Schools.

Of our draft reports 98% were issued within three weeks and of these 26% were issued within two weeks. Of our final reports, 94% were issued within two weeks of NAS receiving the action plan or confirmation from the school. This timeliness of our reporting facilitates Headteachers and Governors to promptly implement any changes necessary.

7 Anti Fraud and Corruption

At the time of writing this report we had no ongoing formal fraud investigations in schools. We undertook preliminary assessment of a number of allegations at schools and continue to work with relevant departments. However, we are aware of the significant risks, especially in a time of recession. Secondary schools remain the highest risk and particularly those areas 'outside' of the key educational functions, such as site management and catering.

We are aware schools can be prime targets for external frauds and scams and we continue to advise schools on this through our newsletters and the 'Key Financial Controls' and 'Protecting Public Money' training sessions. Advice on the latest scams is also available to schools from Trading Standards and links have been included in our newsletters.

8 Customer Satisfaction Questionnaires Feedback

We continue to receive positive feedback from schools following our audits with the majority of responses being either 'Satisfied' or 'Very Satisfied'. Any 'Disappointed' responses were discussed with the auditors and headteachers concerned so that we could improve our service where necessary.

A number of schools included positive comments about the helpfulness and professionalism of the auditors and the usefulness of the audit.

9 Action Required

The Schools Forum is asked to consider the contents of the report.

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If you need this report in large print, audio, Braille, alternative format or in a different language please contact Adrian Thompson on telephone 01603 222784 or fax 01603 222781.



Work Programme

Report by Head of Finance

The Committee should consider the programme set out below.

January 2014	
NAS Quarterly Report Quarter ended 30 September 2013	Head of Finance
Risk Management Report	Head of Finance
A Half yearly update of the Audit Committee	Chairman
Audit Committee Terms of Reference	Chairman
Norfolk Audit Services: Review of Internal Audit Terms of Reference, Code of Ethics and Strategy	Head of Finance
Internal Audit Planning Approach 2014-15 (including Quarter 1 Internal Audit Plan)	Head of Finance
Anti-Fraud and Corruption Update	Head of Finance
External Audit Update Report and Fee Letter	Head of Finance/External Audit
Audit Commission – Consultation on 2014-15 work programme and scale of fees and Certification of Claims and Returns – Annual Report 2012-13	Head of Finance/External Audit
Audit Committee Work Programme	Chairman
April 2014	
NAS Quarterly Report Quarter ended 31 December 2013	Head of Finance
Risk Management Report	Head of Finance

External Audit - Audit Plan	Head of Finance/External Audit
Internal Audit Plan - Quarter 1 and 2	Head of Finance
Financial Regulations	Head of Finance
Audit Committee Work Programme	Chairman
June 2013	
NAS Quarterly Report Quarter ended 31 March 2014	Head of Finance
Monitoring Officer Annual Report 2013-14	Head of Law
Chairman's Annual Report 2013-14	Chairman
Statement of Accounts 2013-14 Update	Head of Finance
Annual Internal Audit Report 2012-13	Head of Finance
Risk Management Report	Head of Finance
Audit Committee Work Programme	Chairman

Officer Contact:

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

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Norfolk Pension Fund Governance Arrangements & Management of Market Fluctuations

Report by Head of Finance & Head of Pensions

Executive Summary

The Audit Committee requested that the Head of Pensions bring a report to Committee outlining the governance arrangement of the Norfolk Pension Fund. It was asked that the report include details as to how the Council's external auditors align to that governance and what the Fund did when fluctuations in market conditions occurred.

The Norfolk Pension Fund's governance arrangements are detailed in the Fund's Governance Statement. The Fund prepares and publishes a Governance Compliance Statement, which measures compliance against best practise guidelines. The Fund is fully compliant with legislative requirements, regulatory guidance and recognised best practice in relation to Governance.

In times of market fluctuations, the Norfolk Pension Fund rebalances assets in line with the strategic benchmark and in accordance with the Fund's Statement of Investment Principles and appropriate professional advice.

Recommendation

The Audit Committee is requested to consider this report which details to the Committee, Norfolk Pension Fund's governance arrangements and the action it takes to rebalance assets in times of market fluctuations.

1. Background

- 1.1 At its meeting on 24th June 2013, the Audit Committee requested that the Head of Pensions bring a report to Committee outlining the governance arrangement of the Norfolk Pension Fund. It was asked that the report include details as to how the Council's external auditors (Ernst & Young) align to that governance and what the Fund did when fluctuations in market conditions occurred.
- 1.2 Following the June Audit Committee, an explanation as to why the Norfolk Pension Fund was reported in the top 20 funds for Administration costs was circulated to Members and posted on the Member's Insight web page. The briefing concluded that there are a number of different drivers to costs disclosed by Local Government Pension Schemes, including:

- the absolute size of the Fund (assets under management)
 - the structure of the Fund number of employers, members, maturity of liabilities, investment strategies etc)
 - the varying cost of investing in different types of assets
 - transparency in disclosing and reporting investment management costs
 - approach to recognising central recharges and shared costs with the Administering Authority.
- 1.3 The Local Government Pension Scheme (LGPS) is a national scheme, which is governed by statute to meet the pension requirements of Local Government and other associated employers. Although the LGPS is a national scheme, it is administered locally (through 100 or so Funds across the country with local accountability). The scheme has its own Regulator, the Department of Communities and Local Government Department (DCLG).
- 1.4 In Norfolk the LGPS is administered by Norfolk County Council (NCC) and delivered through the Norfolk Pension Fund. The Fund is a multi-employer arrangement which currently has 152 active contributing employers.
- 1.5 The Norfolk Pension Fund is maintained separately from NCC. It has a separate bank account, ring fenced assets, a separate budget funded from its own resources and produces its own Statement of Accounts and Annual Report. The Pension Fund accounts are in addition to the statutory disclosures made in NCC's Statement of Accounts.

2. Governance Arrangements

- 2.1 As Administering Authority for the LGPS in Norfolk and in accordance with legislation, NCC has delegated LGPS pensions' matters to Pensions Committee who have 'quasi trustee' status. The 'quasi' status reflects the fact that individual Trustees do not have the same legal status as their private sector counterparts. However, like Trustees of Private Sector Pensions Schemes, their overriding duty is to ensure the best outcomes for the Pension Fund, its participating employers and scheme members/beneficiaries.
- 2.2 Pensions Committee membership includes representatives of other employers and scheme members, alongside NCC elected members. This is in compliance with statutory guidelines for LGPS Governance.
- 2.3 In their role as Trustees of the Norfolk Pension Fund, Pensions Committee oversees the management (e.g. administration, strategy and investment) of the Norfolk Pension Fund. Terms of reference for the Committee, as detailed in Appendix 2 of the Council's Constitution, are as follow:

To administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the Local Government Pension Scheme, and on behalf of Norfolk County Council as an employer within the Scheme alongside all other contributing employers, and on behalf of all scheme beneficiaries (scheme members) including:-

(a) Functions relating to local government pensions etc under regulations made under Sections 7, 12 or 24 of the Superannuation Act 1972.

(b) To receive and consider the draft Financial Statements for the Norfolk Pension Fund.

(c) To comment on the draft Financial Statements and make a recommendation to the Audit Committee that they be approved/not approved.

- 2.4 Under Regulations 73A(1)(c) of The Local Government Pension Scheme regulations 1997 and 31(3)(c) of The local Government Pension Scheme (Administration) Regulations 2008, LGPS administering authorities are required to prepare, publish and maintain statements of compliance against a set of best practise principles on scheme governance and stewardship. These principles are set out in statutory guidance issued by DCLG.
- 2.5 In accordance with this legislation, the Norfolk Pension Fund prepares and publishes each year a Governance Statement and Governance Compliance Statement. Both statements are approved by the Pensions Committee.
- 2.6 The latest version of the Pension Funds Governance Statement (June 2013) which details roles and responsibilities in relation to the Fund is at Appendix A. The Statement is also available on the pension fund website, www.yourpension.org.uk
- 2.7 The Funds 'Governance Compliance Statement' (which measures compliance against best practise guidelines) is at Appendix B. Norfolk Pension Fund is fully compliant with the principles as set out in the statutory guidance.
- 2.7 The Public Service Pensions Act 2013, includes several key provisions relating to the administration and governance of the new public service pension schemes established under Section 1 of the Act. In the case of the LGPS, these arrangements will apply to the new Scheme which comes into effect on 1 April 2014. Their aim is to draft and formally consult on new governance regulations with the intention of these being in place by April 2014, for implementation by April 2015.
- 2.8 The governance arrangements of the Norfolk Pension Fund are further supported by:
- Norfolk Audit Services undertaking a programme of annual audits which provide assurances on the adequacy and effectiveness of internal controls and risk management for the Pensions Committee.
 - The work undertaken by External Audit (Ernst and Young) and detailed in the annual Audit Plan, to provide an audit opinion on whether the financial statement of the Norfolk Pension Fund provide a true and fair view of the fund's financial statements at year end.

Upon completion of the audit of financial statements, The External Auditor will produce an annual governance report, which includes any matters of governance interest which have come to his attention in performing the audit. The Head of Finance, being the person with specific responsibility for the financial statements, will draft a letter of representation to the External Auditor highlighting any matters material to the financial statements and

possible non-compliance with laws and regulations. External Audit requires that the Chair of Pensions Committee countersigns the letter on behalf of “those charged with governance”.

The appointment of Ernst and Young to the Pension Fund is separate from their appointment to the County Council.

3. Management of Market Fluctuations

- 3.1 The Norfolk Pension Fund is invested in a diversified range of assets with variable pricing. The capital value of those assets and consequently the overall Fund value will fluctuate up and down in line with movements in individual holdings and financial markets. Over the long term these assets are expected to produce significantly higher returns than holding assets in cash but with the expectation of great interim volatility.
- 3.2 Reflecting its long term liability to pay pensions, the Norfolk Pension Fund is a long term investor. The Fund does not use short term trading strategies or seek to employ short term whole Fund tactical allocation decisions in response to market fluctuations. Such an approach would be expensive to implement and there is strong evidence to suggest that successful implementation is difficult to achieve and replicate consistently. Timing is a particular issue because short term tactical strategies require the investor to time correctly both the sell and buy decision.
- 3.3 The Pension Committee approves the long term strategic allocation of the Fund and take professional third party advice in accordance with the Local Government Pension Scheme Regulations. The investment strategy is formally reviewed every three years following the Triennial Actuarial Valuation of the scheme and is documented in the Funds’ Statement of Investment Principles (SIP). Officers and the third party investment advisor monitor the strategy in the inter-valuation period and any changes will be brought before the Pensions Committee for approval.
- 3.4 The Pension Committee will formally review the actual asset allocation against the strategic allocation at each quarterly meeting of the Committee. The Fund seeks to rebalance back to the strategic allocation in an economically optimum manner to avoid incurring excessive trading costs. This rebalance approach as documented in the SIP is detailed in Appendix C.

4. Section 17 Crime and Disorder Act

- 4.1 Under section 17 of the Crime and Disorder Act, the Council has a statutory general duty to take account of the crime and disorder implications of all of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.
- 4.2 Internal Controls, including those assessed under the use of resources, help by aiming to deter crime, or increase the likelihood of detection through making crime difficult, increasing the risks of detection and prosecution and reducing rewards from crime.

5. Risk Management

- 5.1 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.

6. Equalities Impact Assessment and Other Implications

- 6.1 There are no equalities impacts or other implications arising from this report.

7. Conclusion

- 7.1 The Fund prepares and publishes a Governance Compliance Statement, which measures compliance against best practise guidelines. The Fund is fully compliant with legislative requirements, regulatory guidance and recognised best practice in relation to Governance.
- 7.2 In times of market fluctuations, the Norfolk Pension Fund may look to rebalance assets in line with the strategic benchmark and in accordance with the Fund's Statement of Investment Principles and appropriate professional advice.

8. Recommendation

- 8.1 The Audit Committee is requested to consider this report which details the Norfolk Pension Funds governance arrangements and its strategy for asset class rebalancing.

Officer Contact:

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01603 222171



If you need this report in large print, audio, Braille, alternative format or in a different language please contact Nicola Mark on 01603 222171 or Textphone 0844 8008011 and we will do our best to help.



Norfolk Pension Fund

This document sets out the
Governance arrangements
for the
Norfolk Pension Fund
as at June 2013



Governance Statement 2013



Professional Pensions
PENSION SCHEME
of the year AWARDS 2012
**HIGHLY
COMMENDED**
DB Communications (public)



In association with

Investment Awards 2012



**HIGHLY
COMMENDED**



INVESTOR IN PEOPLE

Administering Authority

Norfolk County Council (NCC) is the **Administering Authority** of the Norfolk Pension Fund and administers the Local Government Pension Scheme (LGPS) on behalf of participating employers and scheme members.

- Norfolk County Council has delegated its pensions functions to the **Pensions Committee**
- Norfolk County Council has delegated responsibility for the administration and financial accounting of the Pension Fund to the **Head of Finance**

Pensions Committee

The Pensions Committee is responsible for the strategic management of the assets of the Fund and the administration of benefits. The Pensions Committee meets quarterly in order to:

- Ensure compliance with legislation and best practice
- Determine policy for the investment, funding and administration of the Fund
- Monitor performance across all aspects of the service
- Consider issues arising and make decisions to secure efficient and effective performance and service delivery
- Appoint and monitor advisors
- Ensure that arrangements are in place for consultation with stakeholders as necessary



Pensions Committee Trustees*

- The Pensions Committee act as Trustees and oversee the management of the Norfolk Pension Fund
- As Trustees, their overriding duty is to ensure the best possible outcomes for the Pension Fund, its participating employers and scheme members
- Their knowledge is supplemented by professional advice from Pension Fund staff, professional advisers and external experts
- To meet the requirements set out by the Pensions Regulator's Code of Practice, Trustees need a certain level of expertise. An on-going programme of trustee training is delivered and no substitutions are allowed at Committee

Pensions Committee Membership

There are 8# members of the Pensions Committee:

	Norfolk County Councillor	James Joyce
	Norfolk County Councillor	Steve Morphew
	Norfolk County Councillor	David Ramsbotham
	Norfolk County Councillor	Martin Storey
	Norfolk County Councillor	Judith Virgo
	Two District Councillors (elected by the Local Government Association)	John Fuller Alan Waters
	Staff Representative	Steve Aspin
	Observer #	Open to all participating Employers
Other attendees	Administrator of the Fund (NCC Head of Finance)	Paul Brittain
	Head of the Norfolk Pension Fund	Nicola Mark
	Investment Advisor to the Fund (Hymans Robertson)	Ronnie Bowie / Scott Donaldson

* Pensions Committee members act as Trustees but do not have legal status as Trustees.

The observer seat has become part of normal practice, but is not currently part of the formal Constitution and does not have voting rights. However, the observer seat is an equal member of the Committee in all other ways, with access to all Committee papers, officers, meetings and training, along with the opportunity to contribute to the decision making process.

Head of Finance

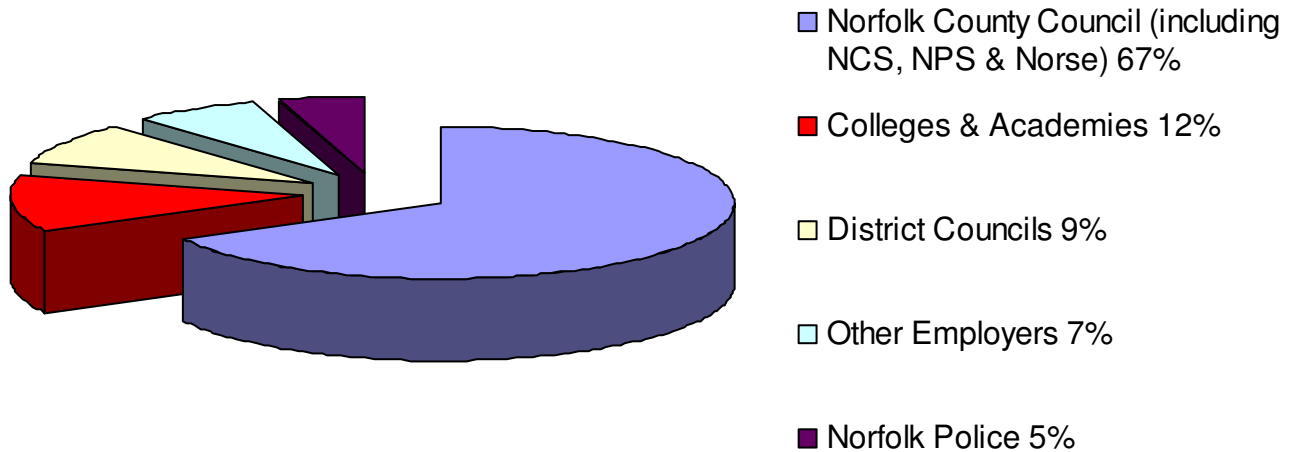
- The Head of Finance is Norfolk County Council's Chief Finance Officer and Section 151 Officer
- As Administrator of the Fund he is responsible for:
 - The administration and financial accounting of the Fund
 - The preparation of the Pension Fund Annual Statement of Accounts

Legislation and Regulations

- The Norfolk Pension Fund administers the Local Government Pension Scheme (LGPS) in Norfolk and is governed by the:
 - Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended)
 - Local Government Pension Scheme (Transitional Provisions) Regulations 2008 (as amended)
 - Local Government Pension Scheme (Administration) Regulations 2008 (as amended)
 - Local Government Pension Scheme (Management and Investment of funds) Regulations 2009, and subsequent amendments
- Pensions Committee is governed by Norfolk County Council's procedural rules under the Council's Constitution. The Committee's **Terms of Reference** are:
- "To administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the scheme, and on behalf of NCC as an employer within the scheme alongside all other contributing employers, and on behalf of all scheme beneficiaries (scheme members) including:
 - Functions relating to local government pensions etc under regulations made under Sections 7, 12 and 24 of the Superannuation Act 1972
 - To receive and consider the draft Financial Statements of the Norfolk Pension Fund
 - To comment on the draft Financial Statements and make a recommendation to the Audit Committee that they be approved/not approved"
- Financial affairs are conducted in compliance with Norfolk County Council's Financial Regulations
- Funds are invested in compliance with the Norfolk Pension Fund's Statement of Investment Principles

Membership of the Fund and Local Accountability

Active Membership breakdown by Employer as at 31 March 2013



Local Accountability - Representation

- Five Norfolk County Councillors
- Two District Councillors, elected by the Norfolk Local Government Association
- No specific representation but work through the Employer's Forum
- No specific representation but work through the Employer's Forum
- No specific representation but work through the Employer's Forum

Membership as at 31 March 2013

152 Employers

19,851 Pensioners

(members in receipt of a pension from the Fund)

26,439 Active Members

(members who are currently in the employment of a participating employer)

24,535 Deferred members

(members who have left the employment of a participating employer, but who are not yet in receipt of their pension)

Local Accountability - Transparency


- The Fund is committed to providing clear, relevant, accessible and timely information to all stakeholders
- How it does this is set out in the annually updated Customer Care and Communication Strategy Statement. This is on our website:
www.norfolkpensionfund.org
- Pensions Committee reports, agendas and minutes are published on the Norfolk County Council website:
www.norfolk.gov.uk
- Pensions Committee meetings are open to the public
- The Annual Pension Fund Report and Accounts, reporting on the activities and investment performance of the Fund, are on our website:
www.norfolkpensionfund.org
- Payments over £500 are published on the Norfolk County Council website:
www.norfolk.gov.uk/Council_and_Democracy/Open_data
- Extracts from the Annual Report and instructions on viewing the whole document are included in the Annual Benefit Statement sent to all scheme members, and in Primetime, the annual magazine sent to all retired members
- All scheme members and employers are invited to an Annual Meeting
- All employers and members of the Pensions Committee are invited to the Employers Forum, held twice a year. This is an opportunity for employers to discuss matters of interest to their organisations with officers and members

Local Accountability - Administration

Contact us

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Online www.norfolkpensionfund.org



If you need this booklet in large print, audio, Braille, alternative format or in a different language, please contact Doreen Metcalf on 01603 222 824 (minicom 01603 223 833).

The Norfolk Pension Fund
Governance Compliance Statement as at August 2013
Local Government Pension Scheme (Administration) Regulations 2008 (as amended) Regulation 31

Principle A – Structure

	Not compliant*				Fully compliant
a					√
b					√
c					√
d					√

- a. The management of the administration of benefits and strategic management of fund assets rests clearly with the main committee established by the appointing council.
Full Council have delegated responsibility to Pensions Committee to administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the scheme, and on behalf of NCC as an employer within the scheme alongside all other contributing employers, and on behalf of all scheme beneficiaries (scheme members).
- b. That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.
In addition to the Norfolk County Council members, 2 district councillors elected by the Local Government Association represent the largest group of employers; an additional observer seat is available to all other employers. Scheme members (including active, deferred and retired) are represented at Committee by the Staff Representative.
- c. That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.
There is no formal secondary committee or panel. Regular employers' forums and other activities detailed within the communication strategy ensure effective communication.
- d. That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.
No formal secondary committee or panel has been established. However employers are regularly reminded via the Employers' Forum and Employers newsletters of the observer seat at Committee. Scheme members are reminded that they can observe committee meetings via the annual "Your Pension" booklet and also at the Annual Meeting. Some Committee Members also attend Employer Forum meetings.

Principle B – Representation

	Not compliant*				Fully compliant
a.i					√
.ii					√
.iii					√
.iiii					√

- a That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:
- i Employing authorities (including non scheme employers, e.g. admitted bodies)
Two district councillors elected by the Local Government Association represent the largest group of employers. An additional observer is seat available to all other employers.
 - ii Scheme members (including deferred and pensioner scheme members)
Scheme members (including active, deferred and retired) are represented at Committee by the Staff Representative. Scheme members are reminded that they can observe committee meetings via the annual “Your Pension” booklet and also at the Annual Meeting.
 - iii Independent professional observers
Hymans Robertson, as Advisers to the Norfolk Pension Fund, attend Committee.
 - iv Expert advisors (on an ad-hoc basis)
Expert advisors are invited to attend committee as and when necessary.

Principle C – Selection and role of lay members

	Not compliant*				Fully compliant
a					√
b					√

- a That committee or panel members are made fully aware of the status, role and function that they are required to perform on either a main or secondary committee.
In addition to general Councillor Induction for newly elected members, Pensions Committee members are briefed on appointment to Pensions Committee by the Head of Pensions. Other elected members who do not sit on Pensions Committee are briefed as required / requested.
- b That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.
This is a standing agenda item for each committee meeting.

Principle D – Voting

	Not compliant*				Fully compliant
a					√

- a The policy of individual administering authorities on voting rights is clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.
Voting rights are set out in the Norfolk Pension Funds Governance statement which is published on the Funds website, www.norfolkpensionfund.org . All members of Pensions Committee have voting rights, including the Staff Representative.

Principle E – Training / facility time / expenses

	Not compliant*				Fully compliant
a					√
b					√
c					√

- a That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision making process.
We use Norfolk County Councils' generic elected member remuneration policy, which includes Travel and Subsistence allowances. In addition, the Fund maintains a training budget for elected members for the delivery of our on going members training programme, and related expenses.
- b That where such a policy exists it applies equally to all members of committees, sub-committees, advisory panels or any form of secondary forum.
We give the same allowances to other individuals / bodies where necessary, for example the Staff Representative.
- c That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.
Committee member training needs are considered alongside the 12 month committee agenda planning process. However training is business driven, and therefore the programme is flexible. This allows us to align training most effectively with operational need / current agenda items, and therefore support member decision making. Member training is supplemented by attending LGE and other associated events, as well as an annual comprehensive 2 day bespoke Knowledge and Understanding event, talking to leading experts about all aspects of LGPS Investment and Governance and current issues, e.g. in 2012 this included meeting the Funds Actuary, Hymans Robertson, to discuss the outlook for the 2013 valuation; Nomura to discuss transition management; Fidelity regarding corporate governance and stakeholder responsibilities; Goldman Sachs to discuss 'excellence in pensions'; Hendersons for an overview of fixed interest investing; and DCLG to discuss LGPS 2014 and other issues. A Training Log is maintained.

Principle F – Meetings (frequency / quorum)

	Not compliant*				Fully compliant
a					√
b					√
c					√

- a That an administering authority's main committee or committees meet at least quarterly.
The Pensions Committee meets quarterly.
- b That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.
There is no formal secondary committee or panel. The Employers' Forum meets regularly, planned around operational requirements.
- c That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.
A Staff Representative (who represents all current, deferred and retired scheme members) sits on Pensions Committee. Also an Observer Seat at Committee is available to Employers not directly represented, and Employers are reminded of this at Forums and via other publications. In addition, regular Employers' Forums, an Annual Meeting for all scheme members (including Deferreds) and Retired Members annual events are held.

Principle G – Access

	Not compliant*				Fully compliant
a					√

- a That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.
All committee members have equal access to committee papers, documents and advice. Minutes of Committee Meetings are published on Norfolk County Councils website www.norfolk.gov.uk.

Principle H – Scope

	Not compliant*				Fully compliant
a					√

- a That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.
The Norfolk Pension Fund adopts a holistic approach to pension fund management. Pensions Committee is responsible for all aspects of the management of the pension fund (investment and administration) and delivery of its services, including all relevant budgets, strategies and service planning.

Principle I – Publicity

	Not compliant*				Fully compliant
a					√

- a That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in the way in which the scheme is governed can express an interest in wanting to be part of those arrangements.

The Norfolk Pension Funds Governance Statement and Communication and Customer Care Strategy are published on the Funds' website www.norfolkpensionfund.org, and included within the Pension Fund Annual Report (which is also published on our website), with hard copies of each available on request. Employers are reminded via the Employers Forum and Employers Newsletters that there is an observer seat at Committee for Employers not directly represented. Scheme Members receive an annual booklet with news of the Funds performance, legislative changes and other relevant pension's news, and are invited to a formal annual meeting. Retired members are invited to the annual retired members' events, and also receive an annual newsletter.

Extract from Appendix 3 of Norfolk Pension Fund's Statement of Investment Principles – Asset Class Rebalancing

Rebalancing entails portfolio transactions, so the benefit has to be weighed against the costs incurred, both in trading and indirectly in the market. Costs of rebalancing are broadly linear (selling twice as much of an asset will cost roughly twice as much). The net benefit of rebalancing is therefore the impact of tracking error less the costs of rebalancing. The exception to this is certain pooled funds where a dilution levy may be triggered if a seller is liquidating a significant holding in the Fund.

Hymans Robertson have advised that the trigger point for a rebalance should be when the benefits of the switch outweigh the costs involved. Historical evidence has indicated that such a point is when there is 2% deviation from target under normal market conditions.

The trigger determines when to rebalance, but not by how much. Hymans Robertson have advised that it does not pay to rebalance all the way to the target allocation, as the costs of rebalancing all the way tend to outweigh the benefits. The Fund's policy is rebalance to 1% from the target allocation.

The key risk being run within a pension fund is the proportion invested in equities. The Fund's rebalancing procedures for the three main asset classes, equities, bonds and property, are as follows: The rebalancing will take place when one of the asset classes deviates by more than 2% from its target allocation. When rebalancing is required, the asset classes will be taken back to within 1% of the target allocation.

In periods of heightened market volatility or other uncertainty the rebalancing process may be temporarily suspended or the pace of rebalancing may be slowed.

Rebalancing decisions will be made with due consideration of the liquidity of the underlying assets.

Governance, Control and Risk Management of Treasury Management

Report by Head of Finance

Executive Summary

Treasury management in local authorities is extremely well regulated. Specific policy and operational guidance on governance, control and risk management is contained within professional codes of practice, with overarching statutory and regulatory guidance drafted by the Government.

This report concludes that the County Council's Treasury Management operations are fully compliant with the statutory and regulatory framework and recognised best practice.

Recommendation

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

1. Introduction

The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in the Public Services (the Code) defines treasury management activities as:

'the management of a Council's cash flows, its banking, money market and capital market transactions; the effective management of the risks associated with those activities and the pursuit of optimum performance consistent with those risks'.

Cabinet Scrutiny considered the governance and reporting arrangements in respect of treasury management in October 2008 following the collapse of the Icelandic banks. In December 2008, Cabinet approved the establishment of a cross-party Member Panel (Treasury Management Panel) with specific responsibilities for Treasury Management. The Panel's responsibilities include:

- Monitor recovery of the Councils Icelandic investments.
- Consider and comment on the draft Annual Investment and Treasury Strategy prior to its submission to Cabinet and full Council.

- Receive detailed reports on the Council's treasury management activity, including reports on any proposed changes to the criteria for "high" credit rated institutions in which investments are made and the lending limits assigned to different counterparties.
- Receive presentations and reports from the Council's external Treasury Management advisers.
- Consider the draft Treasury Management Annual Report prior to its submission to Cabinet and full Council.

The establishment of a panel to scrutinise treasury management activities in detail before approval by full Council is in accordance with best practice.

In addition, the Audit Committee's Terms of Reference state that it is responsible for 'considering the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensuring that they meet best practice.'

2. The Regulatory Framework

- 2.1 Treasury management in local authorities is extremely well regulated. Specific policy and operational guidance is contained in professional codes of practice, with overarching statutory and regulatory guidance drafted by the Government.
- 2.2 This framework of regulation and codes of practice provides the basis for the governance and reporting of treasury management activities in local authorities.
- 2.3 Statutory and regulatory guidance is provided by the Local Government Act 2003 and the Government's Investment Guidelines 2010 (Revised). Codes of best practice include the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice and the Prudential Code. The Council adheres to all these in the way it manages its treasury services.
- 2.4 CIPFA's Code of Practice for Treasury Management in the Public Services (the Code) recommends the adoption of four key clauses as part of financial regulations and procedures. CIPFA's latest version of the Code was released in November 2011. The specific clauses and policy statements remained unchanged from the 2009 Code which the County Council adopted in February 2010 as part of its financial regulations and procedures. Two of the clauses relate to governance and reporting arrangements, as follows:
 - that the County Council delegates responsibility for the implementation of its treasury management policies and practices to the Council's Cabinet, and for the execution and administration of treasury management decisions to the Council's Head of Finance.

- that the County Council receives reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close.
- 2.5 Complementary to the CIPFA Treasury Management Code, the Government's Investment Guidelines requires the full Council to approve an Annual Investment Strategy.
- 3. Governance, Control and Risk Management**
- 3.1 The County Council has integrated the governance requirements of the CIPFA Treasury Management Code and the Government's Investment Guidelines into a single report. 'The Annual Investment and Treasury Strategy' is presented to Cabinet and Council in January and February each year at the same time as the County Council's annual budget proposals. Prior to consideration by Cabinet, the Strategy is examined in detail by the Treasury Management Panel. The Panel may ask for specific changes to be made to the report and/or provide a verbal briefing to Cabinet.
- 3.2 The Annual Strategy report details economic forecasts, criteria for choosing investment counterparties, monetary limits and deposit periods, the strategy for long term borrowing, treasury management prudential indicators and leasing activity.
- 3.3 In accordance with the CIPFA Treasury Management Code, an annual report is also produced after financial year-end. The 'Annual Treasury Management Report' is presented to Cabinet and County Council in July each year after having been considered by the Treasury Management Panel.
- 3.4 The Annual Report reviews treasury activities undertaken in the previous 12 months and contains details of performance against key treasury management indicators and budgets. It also provides confirmation that all monies invested during the year was in accordance with the approved investment criteria.
- 3.5 A mid year monitoring report on treasury activities is also produced for Cabinet and Council and like the Strategy and Annual Reports is considered in detail by the Treasury Management Panel.
- 3.6 During financial year 2012-13, the County Council met the reporting requirements of the Treasury Management Code by receiving:
- an annual treasury strategy in advance of the year (County Council 13th February 2012)
 - a mid-year treasury update report (County Council 26th November 2012)
 - annual report following the year-end describing activity (County Council 29th July 2013).

To aid transparency these reports are presented to Cabinet and Council as agenda items in their own right, rather than as appendices to other financial reports.

- 3.7 In addition, throughout the year, Cabinet and the Treasury Management Panel receive regular treasury management performance monitoring reports. These reports provide performance information in relation to key treasury management indicators such as cash not invested at the end of each working day, investment return and interest earned to date.
- 3.8 The Treasury Management Panel provides robust scrutiny of treasury activity. With reports to Cabinet amended to incorporate comments or views expressed by the Panel and other action being pursued by officers and reported back to Panel members. There are no outstanding actions/recommendations from meetings of the Panel.

4. External and Internal Audit of Treasury Management

- 4.1 Following the collapse of the Icelandic Banks in 2008, the Audit Commission undertook a national audit of local authority treasury management operations. Over 450 local authorities (including Norfolk) participated in the audit which resulted in the publication of the report [‘Risk and Return’](#). External auditors were asked to incorporate the reports findings and recommendation in their audit programmes.
- 4.2 The County Council’s external auditor (Ernst & Young) views Norfolk’s Treasury Management activities as ‘key processes’ and will therefore perform ‘walk through’ tests and sample transaction detailed testing of key controls in order to inform their annual audit of the Statement of Accounts. In addition, they will also seek independent verification of investment and debt balances.
- 4.3 In order to assist and support Ernst & Young’s audit of the 2012-13 Statement of Accounts, Norfolk Audit Services (NAS) undertook the detailed testing of key controls on a sample of transactions. NAS concluded that there were no areas where the expected key controls were absent or failing.
- 4.4 Transaction testing of key controls will be supplemented by a triennial full internal audit review. An annual audit will also be undertaken if significant changes to systems or processes are identified. The next full internal audit review has been included in the 2013-14 annual audit plan.

5. Risk Register

- 5.1 Corporate risk No. 8680 ‘failure to recover monies outstanding from Icelandic Banks’ is recorded on the Corporate Risk Register. This risk has already met its target and remains on the register for monitoring purposes only. The Corporate Risk Register is formally reported to the Audit Committee every quarter.

- 5.2 The Finance Management Team is responsible for maintaining a departmental risk register. With the exception of Icelandic Banks, no other Treasury Management related risks are currently identified.

6. Internal Procedures

- 6.1 The Council's Financial Regulation and Procedures have specific sections dedicated to Treasury Management (sections 4.7 and 7 respectively). They set out the key controls and specific responsibilities of the Statutory Finance Officer (Head of Finance) and the other Chief Officers with regard to Treasury Management. The regulations and procedures are reviewed and updated annually.

7. Section 17 Crime and Disorder Act

- 7.1 Under section 17 of the Crime and Disorder Act, the Council has a statutory general duty to take account of the crime and disorder implications of all of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.
- 7.2 Internal Controls, including those assessed under the use of resources, help by aiming to deter crime, or increase the likelihood of detection through making crime difficult, increasing the risks of detection and prosecution and reducing rewards from crime.

8. Risk Management

- 8.1 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.

9. Equalities Impact Assessment and Other Implications

- 9.1 There are no equalities impacts or other implications arising from this report.

10. Alternative Options

- 10.1 There are no alternative options that the Audit Committee needs to consider.

11. Conclusion

- 11.1 The County Council's treasury management operations form an important part of the overall financial management of the authority. These operations comply with statutory and regulatory requirements, including appropriate Member scrutiny and reporting.
- 11.2 This report provides assurance to the Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management.

12. Recommendation

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

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If you need this report in large print, audio, Braille, alternative format or in a different language please contact Glenn Cossey on 01603 228978 or Textphone 0844 8008011 and we will do our best to help.

Risk Management Report (2nd Quarter 2013/14)

Report by Head of Finance

Summary

This report provides Audit Committee with an update of the Corporate Risk Register and other related matters following the latest quarterly review conducted during the second quarter of 2013/14. The update includes details of nineteen risks proposed for inclusion within the Corporate Risk Register.

Recommendations

Audit Committee is asked to:

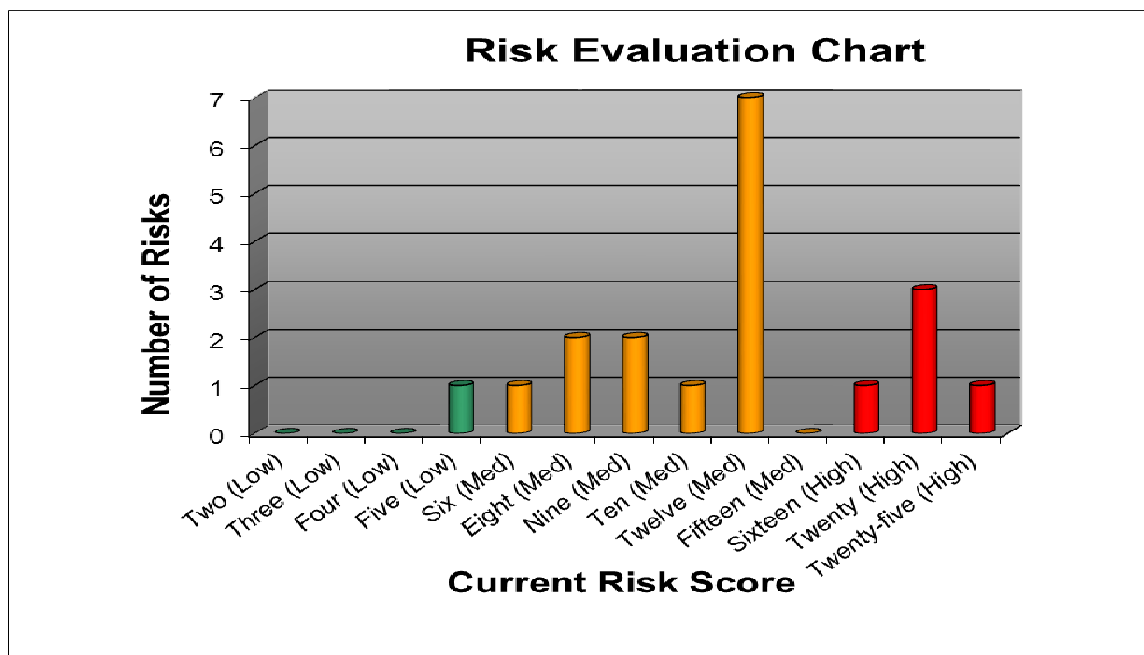
- note the changes to the Corporate Risk Register
- comment on the nineteen corporate risks listed
- consider whether or not any further action is required
- note that the arrangements for risk management are acceptable and comply with Norfolk County Council's 'Management of Risk Framework'
- actively endorse risk management training throughout the County Council.

1. Introduction

- 1.1 The Corporate Risk Register is a dynamic document that is reviewed and updated regularly by risk owners and responsible officers for changes that may have occurred to the risk as a whole and to the progress of its control measures in accordance with the County Council's 'Well Managed Risk – Management of Risk Framework'. The Corporate Risk Register is regularly reviewed by the Chief Officer Group and lists risks where events may impact on the achievement of the County Council's objectives.
- 1.2 Following the most recent report to Audit Committee in June 2013 a review of the existing risks, as well any new risks proposed for inclusion in the Corporate Risk Register, has taken place with the officers responsible. This report is based on the outcome of that review.
- 1.3 It is acknowledged that further changes to the Corporate Risk Register may be necessary based on the outcome of the upcoming period of service and budget consultation as outlined recently by the Leader of the County Council.
- 1.4 Appendix 1 contains a summary of the proposed updated full Corporate Risk Register as at 16 September 2013.
- 1.5 Appendix 2 contains a copy of the full Corporate Risk Register.

2. Corporate Risk Register

- 2.1 The Corporate Risk Register lists the key business risks that require strong management at a corporate level and which, if not managed appropriately, could result in the County Council failing to achieve one or more of its key objectives and/or suffer a significant financial loss or reputational damage. All risks listed have been reviewed and updated, as appropriate.
- 2.2 In total it is recommended that nineteen risks are included on the Corporate Risk Register. Of the nineteen risks reported to Audit Committee in June 2013 one has been removed and one new risk has been added.
- 2.3 As reported to Audit Committee in June 2013 risk RM14028 "Failure to comply with Landfill Allowance for 2012/13" has now been removed from the current Corporate Risk Register, having already reached its target score.
- 2.4 Risk RM14116 "Failure to fully implement the improvement standards contained within "A Good School for Every Norfolk Learner" is a new risk that has been added to the register at the request of the Children's Service Leadership Team to provide assurance and monitoring provision relating to the schools improvement plan.
- 2.5 One additional risk - RM14114 "Failure to deliver long term flood and coastal erosion risk management mitigation measures to areas affected in the long term by local and strategic flood and coastal erosion risk" is a new risk that has been considered for inclusion within the Corporate Risk Register following a number of discussions and subsequent consultation with the Climate Change team. This risk takes the long-term view of the concerns around flooding in Norfolk and the financial uncertainties through to 2030 and has been developed from the shorter term departmental risks around flooding and coastal erosion. Chief Officers have determined that this risk is more appropriate for inclusion within the ETD departmental risk register.
- 2.6 In accordance with the Risk Matrix and Risk Tolerance Level set out within the current Norfolk County Council "Well Managed Risk - Management of Risk Framework five risks are reported as "High" (risk score 16–25), thirteen as "Medium" (risk score 6–15) and one as "Low" (risk score 1-5).
- 2.7 Risk RM14081 "Failure of supplier" which has a target score of four has had its score reduced from nine to six, based on implementation of the mitigation tasks.
- 2.8 The current scores of the nineteen risks are illustrated by the following chart.



- 2.9 The prospects of meeting target scores by the target date are a reflection of how well mitigation tasks are controlling the risk. The contents of this cell act as an early warning indicator of any concerns that the risk owner may have and may lead to further investigation, additional tasks and escalation and progress continues to be made despite the levels of uncertainty relating to the economic circumstances which may explain why risk owners are more inclined to rate prospects as “Amber” than “Green”.
- 2.10 The results show an improvement since last quarter and one risk – RM13911 “Insufficient Capacity within the Care Market” has reached its target score and is, therefore, reported as “Met”. Of the other eighteen risks on the register, six have had their prospects of meeting the target score by the target date assessed as “Green” - on schedule, eleven are shown as “Amber” – indicating some concerns. The remaining risk is new and has been added recently.

3. Emerging Risks

- 3.1 NPS Property Consultants Limited carried out a review of office accommodation in 2012 for the Norwich Area and recommended the most economic property strategy to meet the Council’s future service requirements. The strategy included a recommendation that County hall is refurbished and made into a modern office suite. The review concluded that major strategic maintenance is needed on certain areas within County hall including the concrete frame, the roof, the mechanical and electrical installations and thermal performance. In addition solar panels, improved heating and ventilation and energy efficient lighting will be installed. At the Cabinet meeting held on 9th July 2012 it was resolved to recommend to the Full Council for a sum of £22.2m to be added to the capital Programme for the strategic maintenance of County Hall over the next twenty five years with £14m to be spent within the first three years. This was approved at the Full Council meeting on 23 July 2012. Phase one works will focus on the tower. Phase two will cover the north and south wings.

- 3.2 Work will shortly commence on the maintenance and associated repair project building works to the main tower of County Hall. The internal works involve a number of construction activities that will increase the risks to many elements of the service delivery of the council.
- 3.3 Currently, the corporate risk register contains a general business continuity risk - RM14098 "Incident at key NCC premises or adjacent causing loss of access or service disruption" relates to the building during normal activities.
- 3.4 During the period of construction at County Hall risk levels to the County Council may increase and could lead to prolonged disruption and restriction of services. Therefore an appropriate new risk, specific to the construction period, will be added to the Corporate Risk Register.
- 3.5 The new risk will cover four areas considered to present the most significant increased levels of risk as a direct result of the construction works. These may have an impact wider than the successful delivery of the project and concern the ability of the County Council to deliver the appropriate levels of service to its customers.
- 3.6 The four areas are:
- Possible discovery of unrecorded asbestos
 - Accidental discharge of water resulting in flooding. This relates mainly to two specific areas, the server room and access to the main building, noting that the removal of the main server is scheduled for 2015 when the level of risk should reduce
 - Concerns over the provision of adequate fire alarm and evacuation cover during construction works
 - Impact of noise and dust generated by the construction works.
- 3.7 The project has its own risk register held on the Norse Connect2 record system reviewed regularly at risk meetings attended by representatives of NCC, Norse and the contractor. The register lists risks to the success of the project and is reported to the Project Board on a regular basis. The risks are clearly time framed and most will exist throughout the construction period.
- 3.8 Other emerging risks to be considered by Chief Officers for future addition to the Corporate Risk Register include:
- A cross-cutting generic risk relating to any possible future industrial action that may affect the delivery of services by the County Council.
 - A new risk around lack of capacity to deliver services due to lack of adequate, appropriately skilled, operational and leadership resources.

4. Benchmarking

- 4.1 During 2010 the Association of Local Authority Risk Managers (Alarm) and the Chartered Institute of Public Finance and Accountancy (CIPFA) developed a standard benchmarking tool that allows members of CIPFA to measure risk management performance internally against prior years and also externally against the performance of other UK public sector member organisations.

- 4.2 Receipt of the published results provides a direct comparator with previous results and enables benchmarking against the performance of other UK public sector club members. It also helps to identify opportunities for improvement.
- 4.3 The 2013 scores of the County Council show an improvement on the 2012 result and compare favourably with those of the other participating 34 member organisations, achieving results that rank within the top three in all seven sections, despite ranking only 20th in terms of dedicated risk management resource. The full Alarm CIPFA report for 2013 and more detailed information about the progress made based on benchmarking exercises undertaken since 2006 is available from Strategic Risk Management if required.
- 4.4 During previous benchmarking exercises a number of areas were identified as requiring action to improve practices and future scores. Five of the six actions are complete but will be subject to programmes of continuous improvement in future and the other is subject to on-going work.
- 4.5 These are listed below with appropriate update comments added.
- *Update and review Risk Management Policy and Framework.*
Comment: Complete. Policy and Framework fully reviewed and updated by Strategic Risk Managers then presented to and approved by Audit Committee, Cabinet and Full Council in 2012. These are now treated as dynamic, evolving documents – further review and update to be completed during 2013/14.
 - *Update and integrate risk management guidance for partnerships.*
Comment: Complete. Variety of bespoke activities undertaken in relation to the evolving complexities of partnership arrangements including Public Health integration, Independence Matters and the refurbishment of County Hall. Work on risk management has been an area of significant focus during 2012/13 and continues to develop and support initiatives relating to Enterprising Norfolk.
 - *Identify performance indicators that will provide assurance that risk management is contributing to improved performance.*
Comment: Carried forward from 2011, this remains an on-going exercise with work continuing to develop an industry standard for risk management performance indicators. These continue to be suggested, discussed and developed by members of the benchmarking club, including Norfolk County Council.
 - *Update and integrate risk management processes for portfolio, programme and project risks to increase demonstrable evidence that risk management is contributing to better delivery outcomes, better financial outcomes and supporting the reputation of the County Council.*
Comment: Complete. Worked closely with Corporate Programme Office to update and integrate risk management processes into portfolio, programme and project risks and deliver a new framework which has been rolled out. Close contact with the Corporate Programme Office continues.

- *Production of a clearer, more specific and fully documented strategy, a vision and how it is to be achieved and an action plan of work to include dated milestones and “SMART” targets.*

Comment: Complete. 2012/13 developments include: Strategic Risk Management intranet site, Quick Guide to Risk Management rolled out, PowerPoint presentation produced, Core Phase tool for enhanced risk assessment developed and rolled out, working closely with Norfolk Audit Services.

- *Development of a more structured approach to risk management training.*

Comment: Complete. Training programme and tools overhauled and rolled out, working closely with HR Shared Services Learning and Development Centre of Excellence. A revitalised, simplified, new e-learning training module aimed at all staff, has been enhanced and rolled out via Learning Hub. Bespoke Member training package developed, following training session delivered to Audit Committee in January 2013.

5. Training

- 5.1 Following the 2012 Alarm/CIPFA benchmarking exercise it was acknowledged that the provision of training for both Members and officers needed to be reviewed and updated to be brought more into line with current practices and the NCC's revised Management of Risk Policy and Framework.
- 5.2 The exercise also highlighted areas where improvement could be made to further enhance the risk management culture within the County Council and one area of focus was that of staff training.
- 5.3 A report was taken to the September 2012 Audit Committee meeting, setting out the timetable for implementation of a more structured approach to risk management training. This was seen as a priority and has been delivered within the agreed timescales.
- 5.4 During 2012/13 Strategic Risk Management has developed three key pieces of training:
 - Strategic Risk Management Intranet site developed as a one stop shop containing all the necessary tools and documents relating to management of risk easily accessible in one place.
 - How to Manage Risk e-learning module developed and now available for all staff, together with a reporting mechanism to enable monitoring of uptake and accept feedback.
 - Members Training Package developed and completed, following successful delivery of risk management training to Audit Committee in January 2013. This is available from Strategic Risk Management and it is proposed that appropriate training be offered to new and existing Members.
- 5.5 Initial feedback indicates that these three innovations have been well received and continue to be of benefit to the users.

6. Conclusion

- 6.1 The review of existing and emerging risks, particularly regarding premises refurbishment, has been completed with responsible officers.
- 6.2 The 2013 Risk Management Benchmarking scores of the County Council show an improvement on the 2012 result and compare favourably with those of the other participating 34 member organisations.
- 6.3 During 2012/13 Strategic Risk Management has developed three key pieces of training which were all well received.
- 6.4 There remains a strong corporate commitment to the management of risk (and managing risk appropriately), particularly during periods of organisational change, such as the accelerated programme to deliver all the elements of the vision for the County Council.
- 6.5 An on-going clear focus on strong risk management is necessary as it provides an essential tool to ensure the successful delivery of our strategic and operational objectives.

7. Recommendations

- 7.1 Audit Committee is asked to:
 - note the changes to the Corporate Risk Register
 - comment on the nineteen corporate risks listed
 - consider whether or not any further action is required
 - note that the arrangements for risk management are acceptable and comply with Norfolk County Council's 'Management of Risk Framework'
 - actively endorse risk management training throughout the County Council.

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Stephen Andreassen, Strategic Risk Manager 01603 223934 - email stephen.andreassen@norfolk.gov.uk

Steve Rayner, Strategic Risk Manager 01603 224372 – email steve.rayner@norfolk.gov.uk

Risk Register - Norfolk County Council - Summary (Appendix 1)

Risk Register Name		Corporate Risk Register							Red	
Prepared by		Stephen Andreassen and Steve Rayner				High			Amber	
Date updated		16 September 2013				Med			Green	
Next update due		30 September 2013				Low			Met	
Area	Risk Number	Risk Name	Risk Description	Current Risk Score	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner		
Children's Services	RM14112	Not achieving the required improvements set out by Department for Education in the direction to improve.	Norfolk County Council does not make sufficiently rapid and sustainable improvement in improving services as set out in the direction to improve, adversely impacting upon outcomes for children and young people.	20	5	01/05/2015	Amber	Tom Savory		
Children's Services	RM14116	Failure to fully implement the improvement standards contained within "A Good School for Every Norfolk Learner"	Failure fully to implement the new standards will result in schools not improving sufficiently quickly leading to children and young people being inadequately prepared for the future which will have a negative and detrimental effect on the Norfolk economy and on the reputation of the Council.	20	5	31/03/2015	Amber	Gordon Boyd		
Children's Services	RM13906	That the Looked After Children's budget could result in significant overspends	That the Looked After Children's budget could result in significant overspends that will need to be funded from elsewhere within Children's Services or other parts of Norfolk County Council	16	8	31/03/2014	Amber	Tom Savory		
Environment Transport and Development	RM14113	Failure in the delivery of the Willows Power and Recycling Centre.	Failure in the delivery of the Willows Power and Recycling Centre leading to a contract termination would result in a financial impact to the County Council through the likely need for payment of compensation to the contractor, combined with the costs of securing and delivering alternative solutions, the loss of expected savings and the loss of the Waste Infrastructure Credits.	20	6	01/04/2017	Amber	Mike Jackson		

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Area	Risk Number	Risk Name	Risk Description	Current Risk Score	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
Environment Transport and Development	RM0201	Failure to implement Norwich Northern Distributor Route (NDR) and the Postwick Hub junction improvement	<p>NDR Failure to implement the NDR would result in the inability to implement significant elements proposed in the Norwich Area Transport Strategy (NATS) Implementation Plan including pedestrian enhancements in the city centre, public transport improvements (including some Bus Rapid Transit corridors), traffic management in the suburbs, reductions in accidents and would result in an increase in congestion affecting public transport reliability. It would also result in a reduction in our capacity for economic development and negatively impact on Norfolk County Council's reputation. Inability to deliver the NDR will also affect the growth planned as part of the Joint Core Strategy.</p> <p>Postwick Hub The impact of an unsuccessful Public Inquiry on Postwick Hub Junction Side Road Orders (considered necessary by Government Office) will potentially affect the viability of the NDR and the benefits set out in relation to its delivery. It will also result in a failure to deliver immediate growth in employment and some housing development. In addition, the P&R extension is not possible without the completion of Postwick Hub</p>	12	8	01/11/2014	Amber	Mike Jackson
Community Services Transformation	RM14079	Failure to meet the long term needs of older people	If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of older people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation. With regard to the long term risk, bearing in mind the current demographic pressures and budgetary restraints, the Local Government Association modelling shows a projection suggesting local authorities may only have sufficient funding for Adult's and Children's care.	25	8	31/03/2030	Amber	Harold Bodmer
Community Services Transformation	RM0207	Failure to meet the needs of older people	If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of older people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation.	12	8	31/03/2014	Amber	Harold Bodmer
Resources Corporate Programme Office	RM13919	Organisational changes within the NHS	Organisational changes within the NHS may inhibit our ability to deliver effective integrated care services. This could lead to disjointed services, a lack of clarity around roles and responsibilities, resulting in confusion for service users, greater costs and a worse service experience for service users	10	5	31/03/2014	Green	Debbie Bartlett

Area	Risk Number	Risk Name	Risk Description	Current Risk Score	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
Resources Corporate Programme Office	RM0200	Insufficient capacity for business transformation	Insufficient capacity and resources in the organisation to make required business transformation resulting in change projects not being delivered on time and risk that business as usual could fail in some areas.	12	8	31/03/2014	Amber	Anne Gibson
Resources HR Shared Services	RM13918	The speed and severity of change in work activities.	The speed and severity of the changes in service activities, service redesign and job cuts necessary to achieve budget savings targets could significantly affect the engagement and wellbeing of staff. This could lead to increased sickness absence, reduced engagement and a reduction in productivity and performance.	12	8	31/03/2014	Green	Audrey Sharp
Resources HR Shared Services Business Continuity	RM14097	Shortage of personnel through illness, sustained industrial action, etc. including loss of key senior personnel	The risk that influenza, sustained industrial action or loss of key senior personnel could cause a shortage of staff. This could cause more interruption in some areas than others, particularly front facing services which are extremely dependent on employees to deliver services.	12	6	31/03/2014	Amber	Audrey Sharp
Environment Transport and Development Business Continuity	RM14098	Incident at key NCC premises or adjacent causing loss of access or service disruption	The risk that fire, flood or structural damage could cause disruption for services due to loss of the building or loss of access to the building.	9	6	31/03/2014	Amber	Mike Jackson
Resources ICT Shared Services Business Continuity	RM14100	Loss of key ICT systems	Loss of core or loss of a key ICT systems, communications or utilities for a significant period could impact on delivery of critical services.	12	6	31/03/2014	Amber	Tom Baker
Information Management	RM13968	Failure to follow data protection procedures	Failure to follow data protection procedures can lead to loss or inappropriate disclosure of personal information resulting in a breach of the Data Protection Act and failure to safeguard service users and vulnerable staff, monetary penalties, prosecution and civil claims.	12	4	31/03/2014	Amber	Tom Baker
Resources Procurement	RM14080	Failure of tender process	If we do not manage the commissioning and tendering process effectively we may be subject to legal challenge from an unsuccessful bidder or we may appoint a bidder which is not capable of delivering the contract effectively.	8	4	30/09/2013	Green	Paul Brittain

Area	Risk Number	Risk Name	Risk Description	Current Risk Score	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
Resources Procurement Business Continuity	RM14081	Failure of supplier	If a supplier fails to deliver in accordance with the contract (because of insolvency, capability issues, lack of contract management or a poorly drafted contract) we may be unable to deliver services to the required standard or we may incur excessive costs	6	4	30/09/2013	Green	Paul Brittain
Resources Finance	RM14094	Failure to deliver planned budget savings in 2013/14	The risk that planned budget savings are not delivered in full and on time could lead to imposed in-year cuts and reductions in planned service delivery. This could impact on services delivered to the public, as well as generating adverse public and media comment if cuts are made in areas that were not included in the Big Conversation.	9	6	31/03/2014	Green	Paul Brittain
Resources Finance	RM8680	Failure to recover outstanding funds from Icelandic banks	Norfolk County Council fails to recover monies outstanding from Icelandic banks.	5	5	31/03/2014	Green	Paul Brittain

Risk Register - Norfolk County Council (Appendix 2)																		
	Risk Register Name		Corporate Risk Register												Red			
	Prepared by		Stephen Andreassen and Steve Rayner					High							Amber			
	Date updated		16 September 2013					Med							Green			
	Next update due		30 September 2013					Low							Met			
CDGSTP	Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Current Likelihood	Current Impact	Current Risk Score	Tasks to mitigate the risk	Progress update	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Reviewed and/or updated by	Date of review and/or update
C	Children's Services	RM14112	Not achieving the required improvements set out by Department for Education in the direction to improve.	Norfolk County Council does not make sufficiently rapid and sustainable improvement in improving services as set out in the direction to improve, adversely impacting upon outcomes for children and young people.	24/05/2013	4	5	20	Interim Director of Children's Services with track record of "turn around" and improved outcomes for children. Additional strategic capacity. Refocused team. Additional operational capacity. Focussed plan for performance improvement. Improvement partnering with Essex County Council.	Sheila Lock in post. Helen Wetherall in post (AD Performance/governance). CSLT refocused. Andrew Haley and additional Social Workers in post from mid September - early October 2013. Helen Wetherall refreshing Improvement Plan to be signed off by Improvement Board 29/10/13 . Improvement partnership being put in place by Sheila Lock and Dave Hill (DCS - Essex).	1	5	5	01/05/2015	Amber	Tom Savory	Sheila Lock	13/09/2013
C	Children's Services	RM14116	Failure to fully implement the improvement standards contained within "A Good School for Every Norfolk Learner"	Failure fully to implement the new standards will result in schools not improving sufficiently quickly leading to children and young people being inadequately prepared for the future which will have a negative and detrimental effect on the Norfolk economy and on the reputation of the Council.	16/07/2013	4	5	20	Effective and open partnership working with external agencies Implementation of strong governance and leadership Introduction of the N2GG scheme targeting schools that "require improvement" or are "satisfactory" Introduction of performance management of education standards	Reviewed by COG 22 August 2013 - agreed likelihood score should be set at four based on current situation..	1	5	5	31/03/2015	Amber	Gordon Boyd	Sheila Lock	13/09/2013
C	Children's Services	RM13906	That the Looked After Children's budget could result in significant overspends	That the Looked After Children's budget could result in significant overspends that will need to be funded from elsewhere within Children's Services or other parts of Norfolk County Council	18/05/2011	4	4	16	<ul style="list-style-type: none">Stimulate and encourage the local market place to provide sufficient suitable placement options within Norfolk to avoid the need for Out of County placements.Negotiate appropriate fees with providers for planned new placements.Monitor costs and numbers and types of placements closely.Expand the fostering and adoption services and manage on a more efficient basis.Increase leaving care placement options.Create provision for 16/17 year olds presenting as homeless.Create a Clinical Communications Team to work to prevent children from becoming LAC and prevent those who do being placed out of county.	<ul style="list-style-type: none">Two key projects relating to LAC are in progress under Norfolk Forward and are being monitored and managed as part of the transformation programme. One to achieve procurement savings on the cost of placements, and one to restructure the service, moving towards a commissioning system, both on targetA strategy for the placement of LAC has been developed to address the new Sufficiency duty, the extent and unit cost of Out of County placements, the unit cost of new in County placements and placement costs of fostering and adoption placements.Funding approved to create sufficient residential placed within Norfolk to cater for LAC for the next two years.Overall, given that the LAC area has historically overspent, that the number of LAC is increasing and the project is in its early days, assessment is amber	2	4	8	31/03/2014	Amber	Tom Savory	Tom Savory	09/07/2013

CDGSTP	Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Current Likelihood	Current Impact	Current Risk Score	Tasks to mitigate the risk	Progress update	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Reviewed and/or updated by	Date of review and/or update
C	Environment Transport and Development	RM14113	Failure in the delivery of the Willows Power and Recycling Centre.	Failure in the delivery of the Willows Power and Recycling Centre leading to a contract termination would result in a financial impact to the County Council through the likely need for payment of compensation to the contractor, combined with the costs of securing and delivering alternative solutions, the loss of expected savings and the loss of the Waste Infrastructure Credits.	24/05/2013	4	5	20	<ul style="list-style-type: none"> • Monitor the Public Inquiry, Planning Inspectorate and DCLG processes relating to the Call In • Residual waste disposal contracts - keep existing extension options open and assess viable alternatives for medium term • Work effectively with contractor and monitor their performance • Work effectively with Defra • Retain suitable internal resources and external specialist advisors • Inspector's report on Inquiry, submitted to DCLG in September 2013 • Secretary of State decision on planning, expected by 14 January 2014 • Construction • Commissioning 	<ul style="list-style-type: none"> • Contract awarded February 2012 • Environmental permit approved July 2012 • Resolution to grant planning permission given June 2012 • Planning decision called in by DCLG August 2012 • Public Inquiry ended 17 May 2013 • Secretary of State Decision due by 14 January 2014 	2	3	6	01/04/2017	Amber	Mike Jackson	Joel Hull	26/07/2013
C	Environment Transport and Development	RM0201	Failure to implement Norwich Northern Distributor Route (NDR) and the Postwick Hub junction improvement	<p>NDR</p> <p>Failure to implement the NDR would result in the inability to implement significant elements proposed in the Norwich Area Transport Strategy (NATS) Implementation Plan including pedestrian enhancements in the city centre, public transport improvements (including some Bus Rapid Transit corridors), traffic management in the suburbs, reductions in accidents and would result in an increase in congestion affecting public transport reliability. It would also result in a reduction in our capacity for economic development and negatively impact on Norfolk County Council's reputation. Inability to deliver the NDR will also affect the growth planned as part of the Joint Core Strategy.</p> <p>Postwick Hub</p> <p>The impact of an unsuccessful Public Inquiry on Postwick Hub Junction Side Road Orders (considered necessary by Government Office) will potentially affect the viability of the NDR and the benefits set out in relation to its delivery. It will also result in a failure to deliver immediate growth in employment and some housing development. In addition, the P&R extension is not possible without the completion of Postwick Hub</p>	01/04/2005	3	4	12	<ul style="list-style-type: none"> • Following confirmation of funding, complete work required by DfT to regularly report on-going project progress for the NDR and Postwick Hub to maintain funding allocation. Work on NSIP process for delivery of necessary Development Consent Orders for NDR. • Work with Highways Agency to finalise the processes for Secretary of State approval for the side & slip roads orders for Postwick Hub. Begin processes to prepare construction phase of the Hub. • Respond as necessary to the outcome of the JCS legal challenge decision by the High Court. One element of the challenge was the NDR and the outcome of the decision was that the NDR is acceptable within the baseline of the JCS. However, there was a requirement to remedy an issue in relation to the Sustainability Appraisal and this still needs to be resolved by working with legal teams and GNDP team. JCS re-examination on remitted text completed in May, but further hearing was held in July 13. 	<p>The Transport Secretary announced on the 26 October 2012 that the NDR has been included in a 'Development Pool' of schemes. DfT have now reconfirmed funding for the NDR and Postwick Hub (max contribution of £86.5m). However the funding cannot be drawn down for the NDR until 'Full Approval' stage, which follows completion of statutory processes (planning consent and orders). Cabinet (3 December 2012) approved the option to utilise the Nationally Significant Infrastructure Projects (NSIP) route for the planning process. This consolidates the planning/land CPOs/highway Orders into one process overseen by the Planning Inspectorate. This provides more confidence in the timescales to deliver the NDR, with the potential to commence construction in the Spring of 2015 and open the NDR in 2017. DfT have completed consulting on changes to the NSIP criteria and changes to the Planning Act have been made, which affect the NDR, and this is being resolved with DfT through a Section 35 application. The Joint Core Strategy was adopted by all Councils on 22 March 2011. A legal challenge to the JCS was received and wa</p> <p>Planning consent was reconfirmed 18 Oct 2011. Public Inquiry for Postwick Hub Side Roads Orders had been postponed from its planned start date of 25 September 2012 and was rescheduled to start on 3 July 2013, and is now completed. The Inspectors report and the Secretary of State confirmation of the Orders are now awaited. This is the last step in the statutory process and assuming successful will mean construction starting later in 2013/early 2014 following draw down of £19m DfT Development Pool funding.</p>	2	4	8	01/11/2014	Amber	Mike Jackson	David Allfrey	05/09/2013

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C	Community Services Transformation	RM14079	Failure to meet the long term needs of older people	If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of older people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation. With regard to the long term risk, bearing in mind the current demographic pressures and budgetary restraints, the Local Government Association modelling shows a projection suggesting local authorities may only have sufficient funding for Adult's and Children's care.	11/10/2012	5	5	25	<ul style="list-style-type: none"> Take steps to protect the Purchase of Care budget when budget planning prior to 2014-17. Invest in appropriate prevention and reablement services Integrate social care and health services to ensure maximum efficiency for delivery of health and social care The Building Better Futures Programme will realign and develop residential and social care facilities Ensure budget planning process enables sufficient investment in adult social care particularly in year 3 of current plan. Continue to: try and manage needs; to identify and deliver savings in the Adult Social Care budget plan; and to ensure the issues are understood and discussed corporately. 	The Adult Social Care mitigating tasks are relatively short term measures compared to the long term risk, i.e. 2030, but long term measures are outside NCC's control, for example Central Government policy. Although steps have been taken to protect the Purchase of Care budget in previous budget planning, the proposals for 2014-17 have had to include savings from the Purchase of Care budget.	2	4	8	31/03/2030	Amber	Harold Bodmer	Janice Dane	09/08/2013
C	Community Services Transformation	RM0207	Failure to meet the needs of older people	If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of older people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation.	01/04/2011	3	4	12	<ul style="list-style-type: none"> Invest in appropriate prevention and reablement services Integrate social care and health services to ensure maximum efficiency for delivery of health and social care The Building Better Futures Programme will realign and develop residential and social care facilities Ensure budget planning process enables sufficient investment in adult social care particularly in year 3 of current plan 	<p>There is growth in the budget to meet the anticipated demographic growth in the Purchase of Care budget (£3.615m in 2013-14) and there are no savings to be made directly from Purchase of Care. Overall the savings for 2011-12 and 2012-13 were delivered in Adult Social Care and the department achieved a balanced outturn for 2012-13. Additional one off NHS funding received of £14m will be received in 2013-14 and is being to reduce the amount of savings needing to be made in Prevention and to ensure that the department maintains its eligibility criteria as 'Critical and Substantial'.</p> <p>Got 2012-13 Winter Pressures funding of £1.498m - carried forward to 2013-14. A review of the fees paid to the independent sector was undertaken in 2012-13 and informed the inflationary uplift discussions with provider representatives. Discussions on-going about cost of care exercise in 2013-14. NHS Norfolk and Great Yarmouth are providing £1.3m of reablement monies in 2013-14 which is being used to fund the Norfolk First Support, Night Owls and Swifts services. The service has also been re-engineered. Following the setting up of Norse Care in April 2011 the Building Better Futures 15 year transformation programme of the previous in house residential homes is starting with the reprovision of three residential homes in the Eastern Locality.</p> <p>There is a project on Support for Self Funders. The recent retender of some of the homecare tenders is trying to address rurality issues.</p> <p>The Integrated Community Equipment Service started in April 2013. The subsidy has been removed from all the meals on wheels services, most of the day centres and luncheon clubs, and for meals provided in most Housing With Care schemes (end of July 2013). Savings have been delivered by: the Remodelling of In house day services; on transport through route reviews/ reprocurement; and through the Assessment and Care Management Review.</p>	2	4	8	31/03/2014	Amber	Harold Bodmer	Janice Dane	09/08/2013

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C	Community Services Transformation	RM13911	Insufficient Capacity within the Care Market	If there is insufficient capacity within the care market to take on and provide services previously delivered by NCC. This could mean a lack of services for users, increased costs to NCC and result in legal challenges and negatively impact on our reputation	20/05/2011	2	4	8	<ul style="list-style-type: none"> The Building Better Futures Programme will develop residential and social care facilities Integrated commissioning with Health Continue to work with provider groups Encourage social enterprise schemes The Remodelling of Care Services project is designed to ensure in house services are fit for the future. Use of Prevention Fund 2013-14. 	<p>The tender has been awarded for the Personal Assistant register and work is on-going - to help people find personal assistants. Everybody in the County is now receiving Meals on Wheels from non-subsidised providers and most of the meals in luncheon clubs and day centres are no longer subsidised. Community Dining Co-ordinator is working on developing the market. Cabinet have agreed to establish a social enterprise company to deliver the Personal and Community Support Services (PCSS), including in house day services. Expressions of interest received from people wanting to be part of the Local Hub Advisory Groups which will oversee the change in the</p> <p>Norse Care are in the process of reprovinding three residential homes in the Eastern locality with a specialised dementia unit. The Prevention Fund set up in 2012-13 is being used to provide a package of help to day services organisations who have now moved from block to spot contracts. Cost of Care exercise with independent sector providers was undertaken in 2012-13 and the inflationary uplift for providers in 2013-14 agreed, focussing on older people residential providers in line with the results. Retender of some home care contracts on-going. Risk has now reached its target score.</p>	2	5	10	31/03/2014	Met	Harold Bodmer	Janice Dane	09/08/2013
C	Resources Corporate Programme Office	RM13919	Organisational changes within the NHS	Organisational changes within the NHS may inhibit our ability to deliver effective integrated care services. This could lead to disjointed services, a lack of clarity around roles and responsibilities, resulting in confusion for service users, greater costs and a worse service experience for service users	23/05/2011	2	5	10	<ul style="list-style-type: none"> Establish a Joint Programme Board with NHS Norfolk and Waveney under the Norfolk Forward Programme arrangements to ensure monthly dialogue at a senior level across NCC and the local NHS. Use the shadow Health and Well-Being Board (HWB) to develop the form and function of the Operational/Statutory HWB for Norfolk Carry out work with stakeholders to determine health improvement priorities and outcomes Provide training and support for new commissioning managers Establish the basis for joint working with GP Clinical Commissioning Groups (CCGs) Integrate at all levels across the health and social care system including commissioning and provision Develop communication plan 	<p>The organisational changes related to the NHS Health reforms were implemented on 2 April 2013. As of 2 April 2013, the NCC NHS reforms programme has successfully set up Healthwatch, transferred public health to NCC, created a Health and Wellbeing Board and made the necessary changes to the constitution and on-going scrutiny arrangements. The NHS reforms programme is preparing for closure and next steps related to realising integration benefits.</p> <p>The new Health and Wellbeing Board (HWBB) is keeping an overview of Health and Wellbeing across Norfolk. HWBB have agreed Health improvement priorities 2013/4 and 2014/17. Following the implementation of the reforms, an NCC Corporate Steering Group has been set up to ensure there is an on-going overview of health integration, to capture and address any emergent issues and risks that may arise whilst the reforms bed in, and to identify NCC's collective Health offer. NCC's new Public Health department has taken ownership of their risks as part of business as usual and created a risk register in line with NCC risk management policy. Their public health risk log will be reviewed by CROSP as part on on-going performance and risk monitoring.</p>	1	5	5	31/03/2014	Green	Debbie Bartlett	Richard Archer	31/07/2013

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C	Resources Corporate Programme Office	RM0200	Insufficient capacity for business transformation	Insufficient capacity and resources in the organisation to make required business transformation resulting in change projects not being delivered on time and risk that business as usual could fail in some areas.	01/04/2011	3	4	12	<ul style="list-style-type: none"> Corporate Programme Office established and rigorously reviews and reports progress of the Council's business transformation programme (Norfolk Forward) on a monthly basis within a formal governance and reporting structure. Capacity and resource planning is a key part of this agenda to ensure successful delivery of the strategic outcomes Any issues are addressed by the Norfolk Forward Strategic Programme Board through prioritisation of projects or where necessary the utilisation of the cost of change budget The corporate performance framework looks at four themes, (Managing change, Managing the budget, Quality and Performance of Services and Outcomes for Norfolk people). This enables us to assess the impact our change priorities have on our business as usual performance and resources. 	<p>Summary statement: Good progress is being made in terms of raising the profile of resource constraints across NCC and building resource and capacity management into management team discussions, with a particular focus on Shared Services.</p> <p>Process and Behaviour: The resource dashboard, covering each department within Shared Services, is now being discussed on a monthly basis at RMT and is included in the Transformation Programme Highlight report for the discussion of pinch points at COG.</p> <p>Planning: The CPO is currently undertaking a portfolio refresh which will consolidate the existing transformation programme, Enterprising Norfolk and other key initiatives into a single portfolio. Based on this updated portfolio the resource requirements will be estimated and more detailed discussions will take place to plan around pinch points once the public consultation has taken place.</p> <p>Systems and Management Information: A Portfolio and Resource Management System has been purchased and is currently in the design and planning stage for an initial rollout to the Corporate Programme Office and ICT by the end of the year.</p>	2	4	8	31/03/2014	Amber	Anne Gibson	Diana Dixon	09/08/2013
C	Resources HR Shared Services	RM13918	The speed and severity of change in work activities.	The speed and severity of the changes in service activities, service redesign and job cuts necessary to achieve budget savings targets could significantly affect the engagement and wellbeing of staff. This could lead to increased sickness absence, reduced engagement and a reduction in productivity and performance.	23/05/2011	3	4	12	<ul style="list-style-type: none"> The OD and HR workstream highlights a range of activities to ensure from a people perspective that we maintain a resilient, productive organisation ready to embrace and implement the changes. The CC continues to :- (a) Set clear expectations of managers around leading change in their teams.(b) To provide targeted leadership & management development to support our managers to be able to sustain both individuals and team engagement, wellbeing, resilience, productivity and performance. There was a particular focus this year around equipping managers to have high quality discussions with individuals through end of year Appraisal discussions - to prepare them for the future - (including developing new skills and planning their careers). (c) Ensure the on-going promotion and access to our wellbeing support (including for example the Norfolk Support line); provide sessions to build individual and team resilience (along with self help support on Peoplenet). 	We continue to draw on and review the 'lessons learned' from all the different change we have implemented in order to improve our handling of future phases, such as involvement, communications and support mechanisms for staff. Previous Employee survey's and our tracking through the Manager Reference, Focus Group and TU feedback highlights good levels of employee engagement (against a backdrop of change and on-going job security issues). Progress around sickness absence also reported regularly to COG and CROSP - end of year figures show overall reduction in sickness absence compared to previous years..	2	4	8	31/03/2014	Green	Audrey Sharp	Kerry Furness	13/08/2013

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									<ul style="list-style-type: none">• The provision of a targeted package for employees leaving the organisation has been previously provided and well received.• There is in place regular tracking employees engagement and morale through a range of mechanisms and upwards feedback and ensuring any themes/issues are acted on. Attention will be paid to tracking this across all services across the CC. Also linking this data with on-going trends around sickness absence and range of proactive support for managers around managing attendance within their teams.• Further review and planning of the HR and OD support is underway to ensure the effective implementation of financial challenges / People First									
C	Resources HR Shared Services Business Continuity	RM14097	Shortage of personnel through illness, sustained industrial action, etc. including loss of key senior personnel	The risk that influenza, sustained industrial action or loss of key senior personnel could cause a shortage of staff. This could cause more interruption in some areas than others, particularly front facing services which are extremely dependent on employees to deliver services.	01/04/2013	3	4	12	<div>BCPE001 Business Partners / HR service manager / HR workforce planning team Ensure key skills for critical activities are documented to support redeployment of staff in the event of needing staff to support critical activities.</div> <div>BCPE002 Lucy Hohnen Maintain critical skills within NCC's Corporate HR system.</div> <div>BCPE005 John Ellis - 30.10.2013 *to be agreed at BCM Ensure emergency support staff are trained appropriately and are aware of their roles and responsibilities. Also ensure there is clarity on out-of-hours working arrangements and remuneration for support staff.</div>	<div>08 August 2013: HR Workforce planning team are working with HR Business Partners to identify critical skills and roles to meet future challenges and service objectives.</div> <div>08 August 2013: Qualifications can now be added to an employee's personal record via self service. This is available to approx. 4000 employees and allows a wide range of qualifications to be recorded. Whilst this does not fully meet the need as it is not yet possible to record skills, just qualifications, a greater range of information is now available. Increased scope of both the available functionality and number of employees who can access self service is planned.</div> <div>08 August 2013: Meeting with Amanda Grey taken place, agreed recruiting of new volunteers will take place, marketing material currently in production and campaign to be launched. In the interim training to take place with business support staff within Public Protection. Dialogue to continue between David Collinson and Amanda Grey.</div>	3	2	6	31/03/2014	Amber	Audrey Sharp	Lucy Hohnen	08/08/2013
C	Environment Transport and Development Business Continuity	RM14098	Incident at key NCC premises or adjacent causing loss of access or service disruption	The risk that fire, flood or structural damage could cause disruption for services due to loss of the building or loss of access to the building.					<div>BCPR001 John Ellis To ensure a corporate approach to work area recovery is agreed.</div>	<div>Update April 2013: Work underway to review requirements of corporate WAR and determine planning arrangements for this. BIA review work will feed into this as will provide detailed lists of WAR sites for teams/depts. to allow for cross-referencing.</div> <div>Update May 2013: Work underway to review key NCC sites and associated requirements to enable new assessment of corporate requirements to take place.</div> <div>Update July 2013 - Progress being made.</div> <div>Update August 2013: Progress continues, WAR sites being visited. Engaged in County Hall Strategic Repair Project. BIA's results currently being analysed.</div>								

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					01/04/2013	3	3	9	<p>BCPR005 Adrian Blakey Ensure robust out of hours arrangements for all premises access in the event of an incident exist.</p> <p>BCPR007 Graham Wray To ensure evacuation procedures are in place which minimise disruption and support recovery.</p> <p>BCPR009 Andrew Crossley To create an alternative exit for CH for use in emergency.</p>	<p>In the short term, proposals for out-of-hours cover have been documented by NPS and agreed, this builds on existing arrangements, it includes all corporate properties not just County Hall. In the longer term this issue will be addressed by the NPS SLA. Also includes out of hours contacts for premises managers and key holder details. Update May 2013: Published SLA still awaited, currently being priced up however will be subject to further review as a result of Enterprising Solutions work therefore boundaries of agreement will be subject to change again. Update August 2013: Still awaiting finalised SLA publication. Issue linked to contactability of premises managers and the wider issue of NPS out of hours arrangements.</p> <p>NCC premises have well rehearsed evacuation arrangements. It is vital that the evacuation arrangements support continuity so that if the building was not accessible for a sustained period of time critical activities would not be disrupted. Once County Hall arrangements have been reviewed revised guidance could be issued to other premises. Still preparing for changes in procedures including new signage for departmental assembly points. Sign have been obtained just waiting to test the location in a dry run evacuation. (took place 13.05.2013). Update August 2013: evacuation signs were erected however vandalised the same day and therefore requirements are being re-assessed. evacuation procedural documentation awaiting review by NPA. Report being produced by NPS following planned evacuation exercise on 14.07.2013.</p> <p>Land has been cleared, instruction provided not to re-let mobiles blocking exit, Highways are happy. Currently being reviewed by planners to provide planning permission. August 2012. Update May 2013: Consultation work has been undertaken with Norwich City with a report being submitted to City Cabinet in June 2013 around the proposals for the alternative exit and documenting viability of other options e.g. Harriett Court. Once result has been returned a re-application of the original request can be made (noted: Harriett Court option is too cost prohibitive to progress). Johnny Green in NPS is lead officer on this. Update August 2013: Awaiting results of consultation with Norwich City Council before work on further submissions can be undertaken - being chased by AC.</p>	3	2	6	31/03/2014	Amber	Mike Jackson	John Ellis	29/08/2013
C	Resources ICT Shared Services Business Continuity	RM14100	Loss of key ICT systems	Loss of core or loss of a key ICT systems, communications or utilities for a significant period could impact on delivery of critical services.	01/04/2013	3	4	12	<p>Task 001 - Ensure ICT solutions are designed, implemented and operated to provide the agreed level of resilience</p> <p>Task 002 - Ensure the ICT dependencies and requirements of the business are fully understood and reflected in ICT operational services, ICT infrastructure / platforms, ICT continuity plans and ICT recovery processes</p> <p>Task 003 - Ensure the increased availability of ICT platforms and services through planned migration of data centre services from County Hall and Carrow House to more appropriate and resilient environments</p>	<p>07 August 2013 On-going. Changes to standard desktop, remote access, wireless and managed printing now making it easier for staff to work from other locations.</p> <p>07 August 2013 Major incident communication process working well. ICT resilience measures in place for County Hall power outage scheduled for 7th Sept. Identification of critical ICT dependencies will start once BIA data available</p> <p>07 August 2013 DNA project progressing well and contract award expected Oct 2013. Data Centre Resilience project complete and post project review report to be published Sept. Interim options to provide increased resilience until DNA solutions available being investigated.</p>	2	3	6	31/03/2014	Amber	Tom Baker	Ann Carey	07/08/2013

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									Task 004 - Ensure provision of appropriate ICT support for business services operating outside of standard business hours	07 August 2013 On-going, situation under review. Provision of a formal ICT out of hours support service is included within scope of DNA Programme. Maintaining existing stand-by provision to ensure ICT response to a major out of hours incident								
C	Information Management	RM13968	Failure to follow data protection procedures	Failure to follow data protection procedures can lead to loss or inappropriate disclosure of personal information resulting in a breach of the Data Protection Act and failure to safeguard service users and vulnerable staff, monetary penalties, prosecution and civil claims.	30/09/2011	3	4	12	<p>An Information Compliance Group (ICG) has been set up with responsibility for developing policies and procedures and monitoring compliance with the DPA. New staff, volunteers, and contractors' employees do not have unsupervised access to the council's computer facilities or personal data until they have completed the data protection and information security courses (e-learning and workbook based options are provided). Refreshers at no longer than 3-year intervals are mandatory. Completion of courses is monitored and 'overdue' completions are reported to COG and line managers. In areas where sensitive personal data is held, a) rules have been introduced to ensure that recipient information is accurate before the data is sent out of the council, and b) communications plans to reminding staff</p> <p>A standard procedure for notifying, investigating, categorising the seriousness, and addressing the causes of, breaches of the DPA is now in place. Incidents are notified to and logged by the Corporate DP Officer who submits weekly reports to the Chief Information Officer and monthly updates to the ICG. COG, advised by the Chief Information Officer and the Monitoring Officer, is required to confirm whether a breach should be notified to the Information Commissioner. In future regular reports to be provided to Departmental SMTs</p>	<p>An Information Management Shared Service has been established to integrate all information activities, including Information Compliance and Information Security. Practitioners will be co-located, and common processes and procedures introduced where they do not already exist. Formal launch of the service took place on 02 May 2013. Appointments made to the new IM Shared Service. SLA developed and published in April 2013. 17 June 2013 A steady increase in the number of potential breaches reported indicated a maturing level of awareness of the risk and therefore a reduction to the current likelihood score may be considered in future. Reviewed 23 July 2013 - no change. Reviewed 19 August 2013 - Reports now being issued COG and departments. Agreed no change to prospects or current scores. Reviewed 16 September 2013 - Recruitment issues within IM Shared Service being addressed to meet increasing demands. Concerns raised over a possible increase in future breaches due to reduced NCC staff numbers being put under pressure to perform more tasks.</p>	1	4	4	31/03/2014	Amber	Tom Baker	Stephen Livermore	16/09/2013
C	Resources Procurement	RM14080	Failure of tender process	If we do not manage the commissioning and tendering process effectively we may be subject to legal challenge from an unsuccessful bidder or we may appoint a bidder which is not capable of delivering the contract effectively.	16/10/2012	2	4	8	<p>1) Implement a document automation system to make tender processes more consistent.</p> <p>2) Further training for staff managing tender evaluation processes.</p>	<p>1) A product called HotDocs has been procured, implemented and to be rolled out by September 2013</p> <p>2) Staff received 2 days of category management training in November.</p> <p>3) Reviewed 30 July 2013 - no change to score - prospects remain green.</p>	1	4	4	30/09/2013	Green	Paul Brittain	Al Collier	30/07/2013
C	Resources Procurement Business Continuity	RM14081	Failure of supplier	If a supplier fails to deliver in accordance with the contract (because of insolvency, capability issues, lack of contract management or a poorly drafted contract) we may be unable to deliver services to the required standard or we may incur excessive costs	16/10/2012	2	3	6	<p>BCS002 - added 28.01.2013</p> <p>Al Collier</p> <p>Ensure that appropriate business continuity provisions are included when new business-critical contracts are let</p> <p>1) New staff to fill vacancies in supplier relationship management team</p> <p>2) Improved training for contract management staff</p>	<p>30.07.2013 Al Collier Update</p> <p>1) Three new members of staff have joined the supplier relationship management team.</p> <p>2) Two members of staff have attended negotiation training. More training will follow.</p> <p>3) Likelihood score reduced to two based on implementation of actions. Target date revised to 30 September 2013 to monitor future progress.</p>	2	2	4	30/09/2013	Green	Paul Brittain	Al Collier	30/07/2013

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C	Resources Finance	RM14094	Failure to deliver planned budget savings in 2013/14	The risk that planned budget savings are not delivered in full and on time could lead to imposed in-year cuts and reductions in planned service delivery. This could impact on services delivered to the public, as well as generating adverse public and media comment if cuts are made in areas that were not included in the Big Conversation.	31/01/2013	3	3	9	<ul style="list-style-type: none"> Regular and robust monitoring and tracking of in-year budget savings by COG and members Regular finance monitoring reports to Cabinet and Scrutiny Panels 	Currently there are no indications that the required savings will not be delivered. The position will be continually monitored and reported to COG and Members during the year.	2	3	6	31/03/2014	Green	Paul Brittain	Harvey Bullen	23/07/2013
C	Resources Finance	RM8680	Failure to recover outstanding funds from Icelandic banks	Norfolk County Council fails to recover monies outstanding from Icelandic banks.	01/10/2008	1	5	5	<ul style="list-style-type: none"> Maintain a high level of scrutiny of the position by officers and Treasury Management Panel Receive and critically review latest advice from the legal teams acting on behalf of all UK local authorities. 	On 28 October 2011, the Icelandic Supreme Court upheld the decision of the Icelandic District Court and confirmed priority creditor status for local authorities in the winding up of Landesbanki and Glitnir. The latest projected cash recovery for the three Icelandic banks is £32.408m. To date £22.048m has been recovered and a further £1.729m is subject to currency restrictions imposed by the Icelandic Government. The recovery process continues to be monitored by the Treasury Management Panel and is also reported to Cabinet.	1	5	5	31/03/2014	Green	Paul Brittain	Harvey Bullen	23/07/2013

Internal Audit Plan 2013-14 for Quarter 4

Report by the Head of Finance

Summary

This proposed Internal Audit Plan for Quarter four of 2013-14 follows the plan for Quarters 1, 2 and 3, approved at the June 2013 meeting. The plan for Quarter 4 of 2013-14 is set out in Appendix A, B1 and B2 and notes for these audits are in Appendix C. The Committee is asked to consider the proposed plan which meets relevant audit standards and has balanced the audit needs against the resources available.

Recommendation

The Committee is asked to

- note that there has been a reduction in the overall plan from 1,840 audit days (plus £25,000 contractor allowance) in the total strategy, down to 1,543. As a result of some changes in planned audits for Quarter 3 and 4, there are 575 overall audit days proposed for quarter 4 (up from 554 in the previous plan)
- note that the proposed audit plan meets the legislative requirement of the Accounts and Audit (England) Regulations (2011)
- note the allocation of days set out in Appendix A meets the various elements of the strategy approved by the Audit Committee on 31st January 2013
- consider if it wishes to amend the schedule of audits, for 419 days, set out in Appendix B1 to deliver the audit work to support the opinion and
- note that the internal audit plan for Quarter 4 of 2013-14 makes adequate provision for the risks arising from organisational change, the economic downturn and that resources are sufficient to accomplish the plan.

1. Background

- 1.1. The overall Internal Audit planning approach for the 2013-14 audit plan was approved by the Audit Committee on 31st January 2013 at Item 12, available at the link below.
<http://www.norfolk.gov.uk/download/audit310113minspdf>
- 1.2. Norfolk Audit Services (NAS) has followed this agreed approach during the production of this second draft three month internal audit plan.

Included within this approach has been a process of consultation with senior management. This has provided the opportunity for comment on any actual events and significant concerns they may have regarding risk, internal control and governance, and where relevant these have informed our planning on a risk assessed basis.

- 1.3. The number of overall audit days to be delivered to the Council in 2013-14 was approved in the Approach paper presented to the January meeting of the Committee at 1,840 audit days. There was also additional Contract Auditor time valued up to £25,000.
- 1.4. The Council must undertake an adequate and effective internal audit to meet the requirements of the Accounts and Audit (England) Regulations (2011). The proposed audit plan meets this statutory requirement. The planning also meets relevant standards (UK Public Sector Internal Audit Standards, UKPSIAS). Internal Audit must establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The plan must take into account the requirement to produce an annual internal audit opinion, the relative risk maturity of the organisation and the assurance framework. Internal Audit identifies and considers the expectations of senior management, the Audit Committee and other stakeholders for internal audit opinions and other conclusions. The plan and resource requirements need to be communicated to senior managers and the Audit Committee for review and approval.
- 1.5. Chief Officers have been consulted with respect to the proposed plan.

2. Proposed internal Audit Plan

- 2.1 The proposed three month Internal Audit plan for Quarter 4 of 2013-14 is shown in Appendix A, Appendix B1 and B2 with notes in Appendix C (to follow). The additional Contractor time is included in these projections.
- 2.2 Appendix A sets out the resource requirements to deliver the Internal Audit Strategy. Appendices B1 and B2 set out the resources to deliver one key element of the Strategy, the audit opinion. The 2013-14 the proposed quarter 4 internal audit plan takes particular account of the transitional changes impacting on the governance and internal control issues arising from the economic, budgetary and organisational changes.
- 2.3 The top five risk priorities of the internal audit activity remain:
 - That sound Financial Management and Governance is in place, that there is compliance and where exceptions occur that is identified and treated in a timely manner

- The risks associated with transformational change in the organisation. That change objectives (organisational and financial) are met and internal controls are maintained during and after that change
 - Anti Fraud and Corruption work, particularly prevention and detection work (per Fighting Fraud Locally Strategy)
 - That assets, physical and information, are secured and controlled effectively, including data quality
 - That Commissioning, Procurement and contract management are well governed and achieve value for money.
- 2.4 Our audit planning for the fourth quarter of 2013-14 feature audits that will provide assurance on these and other significant risks that have been identified in our audit needs assessment. Our priorities are explained in more detail below.
- 2.5 Audits to address the “change management process” (Appendix B1 and B2) are the audits that review risks arising from changes in the internal control arrangements as a result of various initiatives and changes that have taken place in the last year or so, or are likely to place in the coming year. These include risks that may arise from:
- the Transformation Programme
 - Increasing move towards shared services with external partners
 - Ongoing budget reductions.
- 2.6 The Information Commissioner has recommended that larger organisations should consider Data Protection as part of their internal audit planning and the internal audit plan continues our work on this risk area.
- 2.7 Other areas of note in the plan include School audits which are included as a separate line within the strategy (Appendix A) and were originally allocated 125 days for each quarter of the year. We have reviewed the audit day’s requirement for schools audits and conclude that the 22 audits completed to date, of higher risk schools is sufficient for this audit year. No further schools audits will be undertaken in quarter three or four as the new schools audit offering including the traded schools offering is implemented. An allowance of 50 days has been made for cross cutting themes and school newsletters.

- 2.8 Work for 30 days with respect to advice (promotion and prevention) on Anti Fraud and Corruption had been included in the strategy (Appendix A) but this has been increased to 60 days to support prevention work. Time has also been allowed in Appendix B to manage allegations that are received. 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.
- 2.9 Appendix B1 includes one line descriptions of each audit. The first step in each audit is to undertake a preliminary assessment of the topic, including analytical review, then to draft and agree Terms of Reference with the client. Notes on key audits have been set out in Appendix C for reference.

3. Balancing the Plan to the Resources available

- 3.1 In line with organisational changes in the Council NAS has taken measures to reduce year on year the audit coverage we deliver on a risk assessed basis whilst maintaining sufficient coverage to meet the regulatory requirements. An essential part of these measures is the risk ranking of potential audit areas undertaken in consultation with clients to ensure our resources are directed at the higher risk areas. Internal Audit must ensure that resources are appropriate, sufficient and effectively deployed to achieve the approved plan. Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.
- 3.2 There are several vacancies that have arisen in the team during this year and we have been successful in recruiting to one temporary auditor position. We are managing the vacancies through the reduction in school audit visits (see 2.7 above) and by using temporary agency placements for key audits. Some audits have been cancelled or deferred on a risk assessed basis with the agreement of the Head of Finance and as described elsewhere on this agenda. Resources are therefore considered to remain sufficient to adequately support the audit opinion work.
- 3.3 We continue to deliver efficiency savings within NAS and the team's audit focus is moving away from routine establishment audits to more strategic risk based audits.

4 Equalities Impact, Resource and Other Implications

- 4.1 There are no implications with respect to equalities or resources with respect to this report and there are no other implications.

5 Section 17 – Crime and Disorder Act

- 5.1 Under Section 17 of the Crime and Disorder Act, 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.
- 5.2 The Council has in place an Anti Fraud and Corruption Strategy which is actively promoted. Internal Audit work helps with the aim of prevention of crime in Norfolk in that its work results in the likelihood of detection and prosecution increasing.

6 Risk Management

- 6.1 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.

7 Recommendation

The Committee is asked to

- note that there has been a reduction in the overall plan from 1,840 audit days (plus £25,000 contractor allowance) in the total strategy, down to 1,543. As a result of some changes in planned audits for Quarter 3 and 4, there are 575 overall audit days proposed for quarter 4 (up from 554 in the previous plan)
- note that the proposed audit plan meets the legislative requirement of the Accounts and Audit (England) Regulations (2011)
- note the allocation of days set out in Appendix A meets the various elements of the strategy approved by the Audit Committee on 31st January 2013
- consider if it wishes to amend the schedule of audits, for 419 days, set out in Appendix B1 to deliver the audit work to support the opinion and
- note that the internal audit plan for Quarter 4 of 2013-14 makes adequate provision for the risks arising from organisational change, the economic downturn and that resources are sufficient to accomplish the plan.

Officer Contact

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

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Proposed Delivery of Internal Audit Strategy for Quarter 4 of 2013-14

Note: Figures in brackets () are present approved plan

Element of Strategy	Revised quarters 1 and 2 days	Revised quarter 3 days	Proposed Audit days for quarter 4	Total Proposed Audit Days
Reporting to the Audit Committee, quarterly and annually	20	10	10	40
Reporting to the Joint Committees (Norfolk Records Committee, Norfolk Joint Museums and Archaeology Committee) annually	3	0	0	3
Facilitation of the delivery of the Annual Governance Statements to the Audit Committee and the Joint Committees	5	0	0	5
Provision of assurance to the Head of Finance (Section 151 Officer) with respect to the systems of governance/internal control and risk management throughout the authority and the Joint Committees	5	0	5	10
Undertaking audit work to support the internal audit opinion (Appendix B1)	423 (448)	263 (322)	419 (382)	1,105 (1,152)
Provision of advice and assistance with respect to Internal Control to Chief Officers and other Senior Officers	25	12	28 (13)	65 (37)
Provision of advice and assistance with respect to Anti Fraud and Corruption particularly to the Head of Law	15	8	37 (7)	60 (30)
Provision of Internal Audit Service to Schools	86 (250)	55 (125)	50 (125)	191 (500)
Provision to undertake investigations	25	13	26 (12)	64 (50)
*Provision of an Internal Audit Service to Norfolk Pension Fund	33	30	30	93
*Provision of advice and assistance to the Eastern Sea Fisheries Joint Committee/EIFCA	10	0	0	10
*Undertaking Grant Certification work particularly with respect to EU grants (25 days non chargeable)	70	56	50	176
Total	720	447	655	1,822
*Less Delivered to external Clients	113	86	80	279
Total to be Delivered to NCC	607	361	575	1,543 *

*Plus £25,000 of contractor time prorata

Audit Work to Support the Audit Opinion (see Appendix A)

Service / Department	Proposed Essential Days Q4 2013-14
Information Management	
Information Management - Governance (Note 1)	15
Information security (Note 2)	15
Paper Information Controls (Note 3)	15
Verbal Information Controls (Note 4)	15
Service Total	60
Asset Management	
Leased Premises Dilapidations (Note 5)	8
Premises Management (Part 2) Facilities Management (Non H&S) (Note 6)	8
Unannounced spot checks on desirable portable assets (Note 7)	15
Topic Total	31
Procurement	
Procurement cards (Note 8)	15
Topic Total	15
Contracts	
Contract Monitoring - Community Services (Note 9)	15
Contract Monitoring Children's Services (Note 10)	15
Topic Total	30
Corporate / Governance	
Project Management/ Change Management/ Transformation Programme/ Enterprising Norfolk Audit (Note 11)	40
Members expenses (Note 12)	2
Topic Total	42
Finance Shared Service / Human Resources Shared Service	
Finance Shared Service:	
Accounts payable (cyclical) (Note 13)	17
Recurring payments through Carefirst (Annual) (Note 14)	15
Care First migration (Community Services) (Note 15)	25
Payroll bureau (Note 16)	12
Social Fund (Note 17)	15
Unannounced spot checks on cash floats (Note 18)	12
Anti Fraud Vouching (Note 19)	30
Human Resources Shared Service:	
Sickness Management (Note 20)	15
Service Total	141
ETD	
Business Continuity Management and Emergency Planning, incl. Emergency Contracts (Note 21)	25
Service Total	25
Community Services	
Care arranging service (Note 22)	15
Museums - Cash handling and income banking (Note 23)	15
Service Total	30
Customer services and communications	
Service Total	0
Childrens' Services	
16-19 Funding (Note 24)	10
Improved arrangements for LAC (Note 25)	20

Service Total	30
ICT*	
Audit from the ICT audit plan (Note 26)	5
Audit from the ICT audit plan (Note 27)	5
Service Total	10
Health and Safety*	
Partnership and Commissioning (Note 28)	5
Service Total	5
Total proposed Audit Work to Support the Internal Audit Opinion	419

* Health and Safety and ICT audits are completed by contractors, the days shown above are in respect of the NAS PCM commitment

Audit Work to Support the Audit Opinion (Detailed)

* the original approved days shown in brackets

Service / Department	Proposed audits for quarter 4 2013-14	Revised quarters 1 and 2 *	Revised quarter 3*	Total revised for the year 2013-14	Total initially planned for the year 2013-14
Norfolk Fire and Rescue Service					
Asset Management	0 (15)				
Other		13			
Service Total	0	13	0	13	28
Information Management					
Information Management - Governance (Note 1)	15				
Information security (Note 2)	15				
Paper information (Note 3)	15		0 (15)		
Verbal information (Note 4)	15		0 (15)		
Service Total	60	17	0 (30)	77	77
Asset Management					
Leased Premises Dilapidations (Note 5)	8				
Premises Management (Part 2) Facilities Management (Non H&S) (Note 6)	8				
Unannounced spot checks on desirable portable assets (Note 7)	15				
Topic Total	31	35	0	66	51
Procurement					
Procurement cards (Note 8)	15	11 (26)			
Topic Total	15	11 (41)	30	56	72
Contracts					
Contract Monitoring - Community Services (Note 9)	15				
Contract Monitoring Children's Services (Note 10)	15				
Topic Total	30	19	45	94	94
Corporate / Governance					
Project Management/ Change Management/ Transformation Programme/ Enterprising Norfolk Audit (Note 11)	40	7 (22)	56 (17)		
Members expenses (Note 12)	2				
Topic Total	42	7 (22)	56 (17)	105	114
Finance Shared Service / Human Resources Shared Service					
Finance Shared Service:					
Accounts payable (cyclical) (Note 13)	17				
Recurring payments through Carefirst (Annual) (Note 14)	15				
Care First migration (Community Services) (Note 15)	25				
Payroll bureau (Note 16)	12				
Social Fund (Note 17)	15				
Unannounced spot checks on cash floats (Note 18)	12				
Anti Fraud Vouching (Note 19)	30				
Human Resources Shared Service:					
Sickness Management (Note 20)	15				
Service Total	141	185	47	373	346
ETD					
Business Continuity Management and Emergency Planning, incl. Emergency Contracts (Note 21)	25				
Service Total	25	30 (39)	15 (20)	84	89
Community Services					
Care arranging service (Note 22)	15				
Museums - Cash handling and income banking (Note 23)	15				

Service Total	30	42	30	102	102
Customer services and communications					
Service Total	0	0 (15)	15	15	15
Childrens' Services					
Other		64	15		136
16-19 Funding (Note 24)	10				
Improved arrangements for LAC (Note 25)	20				
Service Total	30	64 (70)	15 (30)	109	139
ICT*					
Audit from the ICT audit plan (Note 26)	5				
Audit from the ICT audit plan (Note 27)	5				
Service Total	10	0 (5)	5	15	15
Health and Safety*					
Partnership and Commissioning (Note 28)	5		5		
Service Total	5	0 (5)	5	10	10
Total proposed Audit Work to Support the Internal Audit Opinion	419	423 (492)	263	1119	1152

* Health and Safety and ICT audits are completed by contractors, the days shown above are in respect of the NAS management commitment

Appendix C

Notes on Audits in Quarter 4:

Reference	Comment
1	This audit will review overall strategic governance arrangements for the newly established Information Management Service and the function it delivers as a shared service for the authority.
2	The Information Security Audit will look at controls around the storage of information and will complement end of day spot check visits also carried out as part of the 2013-14 audit plan.
3 & 4	The Paper Information Audit and the separate Verbal Information Audit complement the recent Electronic Information Audit. Information Management risks are being actively managed by the new Information Management Shared Service and this audit supports that work.
5	The Leased Premises Dilapidation audit has been merged with the Compliance with Lease Terms and Covenants audit, which was included in Q3 audit plan.
6	The Premises Management (part 2) will complete a prior audit, undertaken in 2011-12, which focused on Health and Safety aspects of premises management. This year's audit will look at other (non Health and Safety) Premises Manager responsibilities.
7	Unannounced spot checks will give assurance that desirable portable assets are well managed and can be accounted for.
8	The procurement cards audit will provide assurance that the use of procurement cards is monitored and controlled.
9	The Contract Monitoring audit in Children's Services will provide assurance for delivery, value for money and performance.
10	The Contract Monitoring audit in Adults' Services will complement the above audit in Children's Services and provide assurance for delivery, value for money and performance.
11	An audit will be undertaken providing assurance on the governance arrangements, the quality and robustness of the support provided by the CPO to the corporate change programme. Audit days have also been allocated to respond to urgent requests in support of project work.
12	NAS maintains a watching brief over Members' expenses.
13	The Accounts Payable audit will review the impact on internal controls of the process changes recently introduced through new IT packages and functionalities in the payable process.
14	The Recurring Payment through Carefirst audit supports the work of the external auditors and provides assurance on the validity, accuracy and completeness of payments made to service providers via Carefirst.

15	The Carefirst migration audit will provide assurance on the robustness of controls over the migration of data from a variety of financial systems into Carefirst, in support of financial transactions being initiated from that system.
16	The Payroll Bureau audit will provide assurance that the risks inherent to operating as a payroll bureau for external clients are adequately mitigated, such that the likelihood of any adverse financial or reputational impact on NCC is minimised. This complements the recent Payroll BACS Bureau audit.
17	The Social Fund audit will provide assurance that adequate contract management processes are in place and effective to manage NCC's relationship with Northgate, who administers the crisis fund on NCC's behalf.
18	The Unannounced spot checks on cash floats will focus on cash floats held by residential establishments across the county.
19	The Anti-fraud vouching will provide assurance on the validity and adequacy of schools expenditure and staff expense claims.
20	The Sickness Management audit will support work initiated by HR and provide assurance that corporate procedures with regards to sickness management are being followed consistently.
21	This audit will provide assurance on the ETD arrangements for Business Continuity Planning and Emergency Planning, with a particular focus on dependencies with key suppliers.
22	The Care Arranging Services Audit will provide assurance on compliance with key financial controls within the procurement of care process.
23	This audit will look at internal controls in place around the handling of cash and recording and banking of income in Norfolk Museums.
24	The 16-19 funding audit is an annual audit, which supports the certification of the annual return to Central Government.
25	The Improved Arrangement for LAC audit proposes build on the Children's Services plans and provide assurance on governance arrangements to ensure satisfactory progress is being made .
26	An ICT Audit from the ICT Audit Plan.
27	An ICT Audit from the ICT Audit Plan.
28	An audit of the arrangements and controls in place over partnerships and commissioning for the delivery of the corporate Health and Safety policy.

Audit Committee Terms of Reference

Report by the Chairman

The purpose of this report is to propose that, following a review of the Audit Committee's responsibilities in relation to the Norfolk Pension Fund, changes to the Terms of Reference, agreed at the Audit Committee meeting of 31 January 2013, are considered.

The Audit Committee is requested to consider the changes to the Terms of Reference and commend them to the Council for agreement.

1 Background

- 1.1 The Committee last approved its Terms of Reference in January 2013. The terms of reference include that the Committee should 'Review the Committee's own terms of reference to ensure they are current'. The Committee's Terms of Reference form part of the Council's Constitution (Appendix 2): Composition and Terms of Reference of Regulatory and Other Committees.
- 1.2 Following a review of the Audit Committee's responsibilities in relation to the Norfolk Pension Fund, reported elsewhere on this agenda, a change is required to the Committee's Terms of Reference, as attached at Appendix A.

2 Resource Implications

- 2.1 There are no resource implications arising from this report.

3 Section 17 - Crime and Disorder Act

- 3.1 There are no relevant issues under this Act.

4 Equalities Impact and Other Implications

- 4.1 There are no implications with respect to equalities with respect to this report and there are no other implications.

5 Risk Implications

- 5.1 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.

6 Conclusion

- 6.1 Following a review of the Audit Committee's responsibilities in relation to the Norfolk Pension Fund, reported elsewhere on this agenda, a change is required to the Committee's Terms of Reference, as attached at Appendix A.

7 Recommendation

- 7.1 The Audit Committee is requested to consider the changes to the Terms of Reference and commend them to the Council for agreement.

Roger Smith
Chairman

If you have any questions about matters contained in the report please get in touch with

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TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

A Governance

- 1 Consider the Annual Governance Statement, and be satisfied that that this statement is comprehensive, properly reflects the risk and internal control environment, including the System of Internal Audit, and includes an agreed action plan for improvements where necessary.

B Internal Audit and Internal Control

- 1 With Chief Officers, to provide proactive leadership and direction on audit governance issues and champion audit and internal control throughout the Council.
- 2 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 and other relevant statements of best practice
- 3 Consider an annual report and quarterly summaries of internal audit reports and activities which include an opinion on the adequacy and effectiveness of the Council's internal controls including risk management , any corporately significant issues arising, and receive assurance that action has been taken as necessary.
- 4 Consider reports showing progress against the audit plan and proposed amendments to the audit plan.
- 5 Ensure there are effective relationships between internal audit and external audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.

C Risk Management

- 1 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.
- 2 Consider the effectiveness of the system of risk management arrangements
- 3 Consider an annual report and quarterly reports with respect to risk management including, an opinion on the adequacy and effectiveness of the Council's risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.
- 4 Receive assurances that action is being taken on risk related issues identified by both internal and external auditors and other inspectors.
- 5 Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.
- 6 Report annually to full Council as per the Financial Regulations.

D Anti-Fraud and Corruption

- 1 Consider the effectiveness of the Council's anti-fraud and corruption arrangements.
- 2 Consider an annual report on activity with respect to Anti-Fraud and Corruption performance and receive assurances that action is being taken where necessary.

E Annual Statement of Accounts

- 1 Consider the external auditor's reports and opinions, relevant requirements of International Standards on Auditing and any other reports to members with respect to the Accounts, including the Norfolk Pension Fund and Norfolk Fire-fighter's Pension Fund, and approve the Accounts on behalf of the Council and report required actions to the Council. Monitor management action in response to issues raised by the external auditor.
- 2 Consider the External Auditor's Annual Governance Report and approve the Letter of Representation with respect to the Accounts and endorse the action plan contained in this Report.

F External Audit

- 1 Consider reports of external audit and inspection agencies
- 2 Ensure there are effective relationships between external audit and internal audit
- 3 Consider the scope and fees of the external auditors for audit, inspection and other work.
- 4 Liaise with the Audit Commission over the appointment of the Council's external auditor

G Norfolk Pension Fund

- 1 Following presentation to the Pensions Committee and with due regard to any comments and observations made, consider the relevant Governance reports of the Norfolk Pension Fund. ~~draft Accounts of the Norfolk Pension Fund and authorise the publication and release of these accounts to the external auditors for the audit by the statutory deadline.~~

H Treasury Management

- 1 Consider the effectiveness of the governance, control and risk management arrangements for Treasury management and ensure that they meet best practice.

I Administration

- 1 Review the committee's own terms of reference no less frequently than annually and where appropriate make recommendations to the Council for changes.
- 2 Ensure members of the committee have sufficient training to effectively undertake the duties of this committee.
- 3 Consider the six monthly and Annual Reports of the Chairman of the Committee.