

Audit Committee

Date: **Thursday 29 January 2015**
Time: **2pm**
Venue: **Colman Room, County Hall, Norwich**

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

Membership: Mr I Mackie - (Chairman)

Mr B Bremner
Mr J Dobson - (Vice-Chairman)
Mr A Gunson
Mr J Joyce
Mr R Parkinson-Hare
Mr R Smith

Please note that the meeting will be preceded by an Audit Committee Member Training Session commencing at 1.30pm in the Colman Room.

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

A g e n d a

1 To receive apologies and details of any substitute members attending

2 Minutes

To confirm the minutes of the meeting held on 25 September 2014.

(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 September 2014

Report by the Interim Executive Director of Finance

(Page **11**)

6 Risk Management Quarterly Report (3rd Quarter 2014/15)

Report by the Interim Executive Director of Finance

(Page **32**)

7 Half-Yearly Update of the Audit Committee

Report by the Chairman

(Page **53**)

8 Internal Audit Strategy, Approach, Strategic Plan 2015-18 and Internal Audit Plan for 2015-16.

Report by the Interim Executive Director of Finance

(Page **61**)

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|-----------|--|--------------------|
| 9 | Review of the Internal Audit Terms of Reference and Code of Ethics
Report by the Interim Executive Director of Finance | (Page 93) |
| 10 | Anti-Fraud and Corruption Update
Report by the Practice Director Norfolk Public Law (NPLaw) | (Page 106) |
| 11 | Audit Committee Work Programme
Report by the Interim Executive Director of Finance | (Page 204) |

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Date Agenda Published: 21 January 2015



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Audit Committee
Minutes of the Meeting held on Thursday 25 September 2014 at
2pm in the Colman Room, County Hall, Norwich

Present:

Mr I Mackie (Chairman)

Mr B Bremner

Mr J Dobson

Mr A Gunson

Mr J Joyce

Mr R Smith

1 Apologies for Absence

An apology for absence was received from Mr R Parkinson-Hare.

2 Minutes

- 2.1 The minutes from the meeting held on 19 June 2014 were agreed as a correct record and signed by the Chairman, subject to an additional sentence being added to paragraph 11.2 to read:

- Advice of the Monitoring Officer was read out to the meeting expressing concern that should Chief Officers Group meetings become public meetings, it could impact upon the ability of Chief Officers to explore effectively the risks and issues associated with proposals in development. It was not in the public interest to curtail such discussion.

3 Declaration of Interests

- 3.1 No declarations of interest were made.

4 Items of Urgent Business

- 4.1 Reflecting on recent Committee meetings, the Committee felt that risk was insufficiently reported at the service committees and recommended that a process be put in place for these to be reviewed regularly. The Committee was pleased to note that Committee Members would continue to monitor the reporting of risk at future service committee meetings and that performance reports for each service area would be updated to include a section on risk management.

5 Norfolk County Council and Norfolk Pension Fund Audit Results reports – Audit Committee Summary for the year ended 31 March 2014.

- 5.1 The Committee received the report by the Interim Head of Finance introducing the

5.2 During the discussion, the following points were noted:

- The Committee congratulated the Pensions Administrators and Council Officers on the timely completion of the accounts. .
- The Value for Money audit had been completed by EY for the Norfolk County Council accounts. The regime set out by the Audit Commission did not require a Value for Money audit to be completed on the Pension Fund accounts.
- The Committee expressed concern about the potential material misstatement within the Norfolk Group CIES due to the reanalysis of the Norse Group Profit and Loss and were reassured that Norse was aware of, and working to resolve the issue to enable the accounts to be signed off by 30 September 2014.
- With regard to consideration of the waste project and how it had impacted on the accounts, EY confirmed that they were comfortable with the accounting treatment and the Value for Money checks which had been carried out.
- EY confirmed that they had considered all the decisions made about the energy from waste project, including the procurement process, to ensure that Norfolk County Council received a value for money opinion. It was also confirmed that every aspect of the Council's performance had been looked at when the accounts were audited.
- It was noted that EY was the auditor for the Cory Group and the Wheelabrator Group. The Committee was reassured that there was no conflict of interest with this arrangement due to the size of the organisation. It was also noted that in late 2011/2012 some financial advice had been given by EY to the Council in relation to the waste project, but that the relationship had ceased before EY were appointed as the Council's auditors.

5.3 The Committee **RESOLVED** to note the report.

6 Annual Statement of Accounts and Annual Governance Statement 2013-14.

6.1 The Committee received the report by the Interim Head of Finance introducing the Statement of Accounts and Annual Governance Statement of Norfolk County Council for 2013-14 which had been subject to external audit by EY. The Interim Head of Finance anticipated that the Council would receive an unqualified audit opinion.

6.2 During the discussion, the following points were noted:

- Mr Dobson proposed a statement to be added to the accounts under the Termination of Energy From Waste contract paragraph, to reflect that Norfolk County Council had signed up to a revised project plan. With no seconder, the proposal fell.

- The Committee asked to receive a report about the Asset Management Strategy at its next meeting.
- Under the heading “Schools Transferring to Academy Status” on page 37 of the accounts, it was explained that when a school became an academy, the land was provided by Norfolk County Council on a 125 year lease, with the County Council becoming the landlord. It was for this reason the accounts showed no economic value under this heading. If the site ceased to be used as a school, the land would revert back to the County Council.
- When a PFI school converted to an academy, the school continued to meet the PFI liability and there was no additional cost to Norfolk County Council.

6.3 With 5 votes in favour and Mr Dobson voting against the recommendations, the Committee **RESOLVED** to:

- note that, following annual reviews, the system of internal control and internal audit are considered adequate and effective for the purposes of the relevant regulations.
- Approve the Annual Governance Statement (Appendix 2 of the report) and commend the statement for signature by the Leader and the Managing Director.
- Approve the Council's 2013-4 Statement of Accounts (Appendix 3 of the report).
- Note the summary of the Statement of the Accounts (Appendix 4 of the report) to be published alongside the full accounts.

7 Letters of Representation 2013-14

7.1 The Committee received a report by the Interim Head of Finance providing details of the letters of representation in connection with the audit of the financial statements of Norfolk County Council for 2013-14.

7.2 The Committee **RESOLVED** to endorse the letters of representation in respect of the Norfolk Pension Fund and of Norfolk County Council, subject to the satisfactory production of details from the Norse Accounts for inclusion in the Norfolk County Council Group Accounts. The Chairman of the Audit Committee and Interim Head of Finance signed the Letter of Representation on behalf of the Council.

8 Norfolk Pension Fund Governance Arrangements

8.1 The Audit Committee received a report by the Interim Head of Finance and Head of Pensions outlining the ongoing governance arrangement of the Norfolk Pension Fund.

8.2 During the discussion, the following points were noted:

- The Governance Compliance Statement checklist was signed off by the Pensions Committee at its September meeting. The scheme was regulated by the DCLG and subject to periodic review by internal and external audit.
- The Annual Report and Accounts had been considered in detail at the Pensions Committee meeting on Tuesday 23 September. The increase in costs had

been due to the fact that the 2013/14 accounting year was a Tri-annual Valuation year which required professional actuaries to be employed by the Council.

- The administration cost of pension funds was measured by the cost per member. Last year's CIPFA benchmarking exercise, which compared around 60 local government pension funds had shown that the Norfolk Pension Fund had a cost of £18.31 per member. This year the cost had reduced to £17.67 per member. The average cost per member for those Funds participating in the exercise this year was £20.73. For those Funds who had outsourced services the cost was £20.61.

8.3 The Committee **RESOLVED** to note the report.

9 Governance, Control and Risk Management of Treasury Management.

9.1 The Committee received the report by the Interim Head of Finance providing assurance to the Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management during 2013-14.

9.2 The following points were noted during the discussion:

- The Committee recommended that the Treasury Management Panel be reinstated as part of the committee structure review when it was carried out in November 2014.
- The Committee was reassured that during 2013-14 treasury management was well regulated, with an independent body (the Treasury Management Panel) being responsible for the scrutiny of the treasury management activities. Since the establishment of the new committee structure, monitoring of treasury management had been undertaken by Policy & Resources Committee.

9.3 The Committee **RESOLVED**:

- To note the report.
- To recommend the Treasury Management Panel be reinstated as part of the committee structure review when it was carried out in November 2014.

10 Risk Management Report

10.1 The Committee received the report by the Interim Head of Finance, providing it with an update of the Corporate Risk Register and other related matters following the latest quarterly review conducted during the second quarter of 2014/15. The update included details of twenty-one risks proposed for inclusion within the Corporate Risk Register.

10.2 The following points were noted during the discussion:

- The corporate risks for each department were reported to each of the service committees and the performance reports would be updated to include a section on risk management. Audit Committee Members would continue to monitor the reporting of risk at future service committee meetings.

- The Committee requested that, where the prospects or current risk score had moved from amber to red, senior officers from the service departments attend a future Audit Committee meeting to update the Committee on the actions and mitigation actions that had been taken on those risks.
- The Committee was reassured that all risks on the Corporate Risk Register were reviewed by the Chief Officer Group on a regular basis.

10.3 The Committee **RESOLVED** to note the changes to the risk register.

11 **Norfolk Audit Services Quarterly Report for the Quarter ended 30 June 2014.**

11.1 The committee received a report by the Interim Head of Finance summarising 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 were required, remedial action had been taken by Chief Officers. The report also provided an update on changes to the approved Norfolk Audit Services audit plan, traded Schools audits and the preparations for an Audit Authority for the France Channel England Interreg VA Programme.

11.2 The following points were noted during the discussion:

- The Chief Internal Auditor agreed to let Members of the Committee have copies of the high priority findings reports.
- The Committee was reassured that the service departments put action plans in place to mitigate the high priority findings identified during the audits. The action plans included information about the action taken and the proposed completion dates and were reviewed regularly by Chief Officers. It would not be efficient for the Audit team to test all the action plans but the Committee was reassured that the Chief Officer Group was responsible for ensuring the high priority findings were dealt with and actioned.
- The Committee asked that future committee reports include an update on the high priority findings action plans.
- The Head of the Corporate Programme Office attended the meeting and updated the Committee on work undertaken by the Programme Office, during which the Committee noted that the finance arrangements for the Programme Office came under the control and management of the Head of Finance.

11.3 The Committee considered the report and **RESOLVED** to note:

- The overall opinion on the effectiveness of risk management and internal control being 'acceptable' and therefore considered 'sound'.
- The summary of high priority findings results at Appendix B of the report being satisfactory.
- The changes to the approved 2014-15 Norfolk Audit Services audit plan, as set out in Appendix E of the report.
- Satisfactory progress regarding the traded schools audits and the preparations for an Audit Authority for the France Channel England Interreg Programme.

12 Internal Audit Plan 2014-15 for Quarters 3 and 4

- 12.1 The Committee received and **noted** the report by the Interim Head of Finance setting out the changes made to the Annual Internal Audit Plan for 2014-15. Audit topics had been drawn from the Audit Needs Assessment process and following consultation with departmental managers.

13 Audit Committee Work Programme

- 13.1 The Committee received and **noted** the report by the Interim Head of Finance setting out the programme of work for the Committee.

The meeting ended at 4.25 pm.

CHAIRMAN



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Audit Committee

Item No 5

Report title:	Norfolk Audit Services Quarterly Report for the Quarter ended 30 September 2014
Date of meeting:	29 January 2015
Responsible Chief Officer:	Executive Director of Finance (Interim)
Strategic impact <p>The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference, which is part of the Council's Constitution.</p>	

Executive summary

Norfolk Audit Services fulfils the internal audit function for the Council as required by the relevant regulations.

This report:

- summarises 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; and
- provides an update on changes to the approved Norfolk Audit Services audit plan, traded Schools audits and the preparations for an Audit Authority for the France Channel England Interreg VA Programme.

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 summary High Priority Findings results at Appendix C, being satisfactory
- satisfactory progress with the Property Asset Management project in Appendix F
- the changes to the approved 2014-15 Norfolk Audit Services audit plan, described in Appendix G
- Satisfactory progress regarding the traded schools audits and the preparations for an Audit Authority for the France Channel England Interreg Programme.

1. Proposal (or options)

- 1.1 The proposal is covered in the Executive Summary above.
- 1.2 The Chairman of the Audit Committee and Chief Officers Group has each been consulted in the preparation of this report.

2. Evidence

- 2.1 My opinion, in the Executive Summary, 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 action taken in respect of High Priority Findings,
 - The results of other work carried out by Norfolk Audit Services and
 - The corporate significance of the reports.
- 2.2 Supporting notes and Technical Details appear at **Appendix A**, for reference.
- 2.3 Norfolk Audit Services have set a target of 100% of reports being draft or final by the end of 2014/15. Delivery of final reported audits for the quarter ended 30 September 2014 is considered satisfactory and sufficient. A list of those reports is attached as **Appendix B**.

Report type	Quarter	Year to 30 September 2014
Final audit reports (non-schools)	6	16
Final audit reports (schools)	0	0
Certified grant claims	8	13
Follow-up report	0	0

NB:- The year to date figure refers to audits included in the 2014-15 audit plan only.

- 2.4 The High Priority Findings are being managed and satisfactory action has either been completed or is planned. See **Appendix C** for further details.
- 2.5 Audits of particular note for the quarter are described in detail at **Appendix D** for the following audit reports. Actions have been agreed and High priority findings are being followed up for:
- Security of Children's Funds (Looked After Children)
 - Procurement Cards
 - Budget Setting

2.6 There were no corporately significant reports in the quarter ended 30 September.

2.7 The Service Transformation Programme

The focus of audit assurance for this programme is now achieved through a review of reporting on managing change, which is part of the Performance Monitoring Report to the new Policy and Resources Committee, together with the audit of specific projects, looking at either governance arrangements in the project or governance and controls post implementation. If any exceptions are reported they are fed into our audit planning.

Under the new system of governance from May 2014, the Policy and Resources Committee has two main areas of responsibility: leading the process for developing the County Council Plan and the Medium Term Financial Plan; and co-ordinating all other service committees. It provides a 'whole council' view of performance, budget monitoring and risk and therefore has an important role in moving the organisation forward. In addition, the Committee has responsibility for developing and monitoring corporate services including, ICT, finance and risk management, property and asset management, human resources and organisational development, legal, governance, communications and public affairs and business continuity.

The [Performance and Risk Monitoring Report](#) (page 19) to Policy and Resources Committee on 1st December 2014 is drawn from individual performance reports to Committees and reported that, 'Overall performance is mixed, when judged against the indicators that make up the performance dashboard'. The report goes on to say, 'Delays in timescales and shortfalls in the achievement of 2014-15 savings means the transformation Programme overall continues to be Amber, although good progress is being made with some projects'.

The Financial Implications and risks associated with the change programme have the potential to be significant where they may impact on available reserves. The Directorate Transformation Programmes include projects to deliver our financial, organisational and operational goals. These projects have a savings target of £61.14m over three years (this does not include the additional savings requirements which are currently being developed).

2014/15	2015/16	2016/17	Total over Three years
£25.26m	£19.077m	£16.807m	£61.144m

The programme is reporting as Amber for the period up to October 2014 due to some delays in timescales and shortfalls in achievement of 2014-15 savings. A notable risk, set out in the report to policy and Resources, is:

- A Business Mileage Savings target (a saving of 20% on the costs incurred in 2013-14 (£673,258) is rated Red as the savings are significantly below target. Costs are £303,849 above target. Work to re-promote and champion the importance of managing business travel across departments continues.

The Financial Plan 2014-15 savings, required for the preparation of a balanced 2014-15 budget, were reported to Policy and Resources on 1st December 2014. Forecast savings of £66.013m are £2.254m short of the budgeted £68.267m savings target. The variances are for Children's Services (£1.511m) and Community Services – Adults (£1.475m), other services' savings are on track. In the quarter ended 31 September 2014 the Carefirst Migration Audit provided assurance on change controls.

Internal Audit meet periodically with Corporate Programme Office contacts to consider developments, risks and the audit approach. The challenges and issues for service transformation are reflected in the Corporate Risk Register.

My review of the reporting, to Policy and Resources Committee at 1st December 2014 and from the sample audit work concludes that the governance, controls and risk management for the service transformation programme remain acceptable, however, with the significant and on-going financial challenges ensuring that financial management and financial resilience are maintained will require sustained consistent, focussed attention and control by Chief Officers. Actions have been agreed regarding further savings in 2014-15 that need to be realised.

2.8 Digital Norfolk Ambition Update

In developing the ICT audit plan for the next three years it has been agreed with the Head of ICT that for the corporately significant DNA project Norfolk Audit Services would report quarterly to this Committee. At this time no specific audit work has been completed on the programme. We are alert to developments, governance, controls and risk management in the DNA programme and will maintain this in future audit planning and advice.

Under the new system of governance from May 2014 - the Policy and Resources Committee monitors performance, budget monitoring and risk. In addition that Committee has responsibility for developing and monitoring corporate services including, ICT. Policy and Resources received a [Digital Norfolk Ambition programme update](#) (supplemental - page A3) report on 1st December 2014.

That report concluded that many technology deliveries were already completed, including the build for the new cloud based infrastructure. The roll out of new laptops has started; with over 600 new devices being deployed to date. Work continues at pace on the 'information hub'. The report noted challenges, with data storage within the OneDrive used by laptop users and the migration of council systems to the new environment. A plan is in place, which is being closely monitored with HP.

2.9 NAS has received positive feedback on audits during the quarter ended 30 September 2014. See **Appendix E** for further details.

2.10 The proportion of productive time for quarters 1 and 2 was 53.49% and this is considered satisfactory due to the staff profile changes and the increased training needs within NAS See **Appendix A** for further detail.

2.11 There are no formal investigations in progress at this time. One Preliminary Assessment has commenced since the end of the quarter reported on.

- 2.12 The following are recent NAO Reports that are relevant to Local Government Governance and are therefore of interest to the Audit Committee.
- Financial Sustainability of Local Authorities 2014 and The Impact of Funding Restrictions on Local Authorities 2014. These reports were presented to Policy and Resources on 1st December 2014. A key conclusion was that 56% of External Auditors are worried about Council's budgets for 2015-16. Members of Policy and Resources were recommended to note the following to mitigate the risks:
 - Improved analysis of service data to better manage budgets over the medium to longer term;
 - Engage with Government to develop a better understanding of local impacts;
 - Ensure financial reserves are adequate for the Council's risks
 - Planning for the Better Care Fund II
 - Departmental overview of the Performance of Department of Communities and Local Government 2013-14
 - Local Government Funding Assurance to Parliament
 - Maintaining Strategic Infrastructure Roads II
 - The NAO's Role in Local Audit
- 2.13 The Committee requested a report on Property Asset Management and that report appears at **Appendix F**. Progress with the planned actions is satisfactory.
- 2.14 The preparations for the France Channel England Interreg Audit Authority are progressing satisfactorily.
- 2.15 We aim to further develop our approach and skill sets to provide new perspectives on how we approach audits to add value, be a partner to the business and take an active role in transformational change through critical thinking and value creation. We are developing our reporting in 2014 - 2015 to set, measure and highlight cost recovery; new growth opportunity; hour efficiency; redeployment savings or risk reduction with recommendations that make 'meaningful improvements'.
- 2.16 Norfolk Audit Services makes every effort to reduce its carbon footprint. More details are described in **Appendix A**.
- 2.17 The profile of Anti-Fraud and Corruption arrangements remains high and we are responding to the challenges that arise. Two electronic learning courses have been produced by NAS and are available to all Members and staff of the Council. They are entitled 'An Introduction to Fraud Awareness' and 'Fraud Prevention and Detection (for Managers)' The latest Anti-Fraud and Corruption Update details the communications plan which has been put in place to intensify the promotion of these courses. The Chairman of the Audit Committee has commended these courses to be made **mandatory** for all staff.

3. Financial Implications

- 3.1. The expenditure falls within the parameters of the Annual Budget agreed by the Council.
- 3.2. There were no corporately significant reports with financial implications in the quarter ended 30 September 2014.
- 3.3. Norfolk Audit Services plan to deliver approved savings in 2014-15 by adhering to the planned budget and preparing for ongoing savings as required.
- 3.4. All standard audits are allocated a budget (£) which is formally monitored at draft and final report stages. A target for 2014-15 has been set to deliver 100% of audits within budget.
- 3.5. The costs of half yearly audit plans are communicated to the Interim Head of Finance.

4. Issues, risks and innovation

- 4.1. Changes have been made to the Internal Audit Plan for 2014-15 are agreed by the Audit Committee, there were:
 - 84 days changed at the June 2014 committee, 60 were reapplied leaving a net reduction of 24
 - 180 days changed at the September 2014 committee, 181 were reapplied leaving a net reduction of 23
 - 94 more days in the original plan are subject to change, as set out in **Appendix G**.
- 4.2. There are no implications with respect to:
 - Resource
 - Legal
 - Equality
 - Human Rights
 - Environmental
 - Health and Safety.

5. Background

- 5.1. The Council has to undertake sufficient audit coverage to comply with the Accounts and Audit Regulations 2011. The allocation of audit time was based upon a risk assessment and this is continuously reviewed throughout the year.
- 5.2. The work undertaken by Norfolk Audit Services complements the work of the external auditors. There is a good working relationship between Internal and External Audit such that in total they give adequate audit

coverage to all areas of the Council's activities. Norfolk Audit Services is responsible for communicating the final results of their audit work to parties who can ensure that the results are given due consideration.

- 5.3. Of the 94 changed days in the Internal Audit plan 30 have been re-allocated into new priority audit work. There is a running total of 358 days subject to change. The latest changes, which have been agreed with the Interim Head of Finance, are set out in **Appendix G**.
- 5.4. There is no relevant input or comments from other committees to include within this report.
- 5.5. **Background papers**
 - [Annual Audit Plan](#) – See page 226 to 265

Officer Contact

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

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

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Technical Details

Notes for section 2

Productive Time

Norfolk Audit Services monitor the productive and non-productive time of the team on a regular basis to ensure delivery of an effective and efficient service. The target for time NAS staff spends on “productive” activities, ie work which contributes to and supports the opinion of the Chief Internal Auditor, has been set at 65% for the 2014-15 year.

Investigations Procedure

From time to time Norfolk Audit Services 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.

Notes for section 4

Crime and Disorder Act 1998

Under Section 17 of the Crime and Disorder Act (1998), the Council has a statutory general duty to take account of the crime and disorder implications of all its work, and do all that it reasonably can to prevent crime and disorder in Norfolk. Norfolk Audit Services work helps with the aim of prevention of crime in Norfolk in that its work results in the likelihood of detection and prosecution increasing. The profile of Anti- Fraud and Corruption arrangements remains high and we are responding to the challenges that arise.

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.

Sustainability

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.

Norfolk Audit Services 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. No significant exceptions have been noted.

Notes for Section 5

Audit Opinions

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

**Norfolk Audit Services
Final Reports Issued in the Quarter Ended 30 September 2014**

There were 6 final reports and 8 grant claims certified during the quarter.

Final Reports

Children's Services

1. Security of Children's Funds (Looked After Children)

Contracts and Procurement

2. Contract Register
3. Procurement Cards

Finance

4. Budget Setting
5. Carefirst Migration (Full Review)
6. Supporting the Annual Governance Statement 2013-14

Grants claims certified

1. COOL
2. Family Focus
3. LGA
4. Police and Crime Panel
5. PRISMA
6. RINSE
7. RINSE Lead Partner
8. NORSE

High Priority Findings

Since the December 2013 Chief Officers Group has received details of the High Priority Findings which are being managed by Heads of Service. At 31st October 2014 there are 76 (74 reported in September 2014) High Priority Findings, 51 are rated green) and there were 25 that were recommended and agreed for removal, rated 'AR'.

The overall trend is that there are slightly less findings than previously reported overall but those reported are now all rated green except for five that are Amber.

The High Priority Findings are reported to the Audit Committee members for information.

Chief Officers asked for analysis of the trends with audit findings. Table 1 below shows the performance per department for the current High priority Findings. Table 2 below shows that there is an even spread between findings covering planning, organising and controlling processes. There are as many problems with the controls in systems as there are in controls not being followed, shown in Table 3 below.

The Internal Audit Team will promote, through discussion with Finance Business Partners and at Departmental management team meetings, that advice can be sought from Internal Audit when planning or reviewing relevant and proportionate internal controls and how they are organised. Chief Officers are recommended to challenge line managers, at their Departmental management Team meetings, to test how controls are working and that exceptions are being identified and treated.

Table 1: Summary table per department

Department	Green Rated
Adult Services	0
Children's Services	13
Communities and Environment	1
Finance	35
Resources	2
Total	51

Table 2: Theme 'Objective 1' table per department

	Planning (Failure Of)	Organising (Failure Of)	Controlling (Failure Of)	Total for service
Adult Social Services	1	1	1	3
Children's Services	10	9	5	24
Communities and Environment	5	3	2	10
Finance	12	9	16	37
Resources	1	0	1	2
Theme totals	29	22	25	21 76

Table 3: Theme ‘Objective 2’ table per department

	Systemic Problem	Application Problem	Total for service
Adult Social Services	1	2	3
Children's Services	15	9	24
Communities and Environment	7	3	10
Finance	16	21	37
Resources	1	1	2
Theme totals	40	36	76

Audits of Note

Security of Children's Funds (Looked after Children- LAC)

Children's funds include:

- Pocket money and residential monies paid to carers by the Council as part of their carers payments and then passed onto LAC either in cash or into LAC bank account held locally by carer
- Bank accounts administered by the Council in respect of legacy payments, child trust funds and Junior ISA. Bank accounts maintained at county, monies to be passed to LAC upon reaching agreed age
- Attendance allowance - paid into carers bank account to be used at discretion of carer (severely disabled LAC only).

The purpose of this audit was to ensure effective money transfer and protection mechanisms were in place to adequately safeguard payments made to Looked After Children (LAC).

Overall, controls were in place but certain areas needed strengthening to be considered fully adequate and effective.

Six High Priority Findings (HPFs) were raised during the audit with a total of six recommendations made.

Areas generating HPFs were:

- Communication of standards expected of carers
- Responsibility over private funds for LAC
- Policies and procedures
- Monitoring of LAC private funds
- Checks on the existence of finance policies developed by carers
- Responsibility of LAC entitlements

An action plan was agreed for the findings raised in the report.

Procurement Cards

As at 2 April 2013, over 1000 employees from across all departments in NCC were authorised to hold purchasing cards provided by Barclaycard. The total spend from October 2012 to September 2013 on all purchasing cards was £1.7m and the average spend per month was £147k.

The purpose of this audit was to provide assurance that procedures, systems and controls are operating effectively to avoid financial loss.

Overall, controls were in place but certain areas needed strengthening to be considered fully adequate and effective.

One HPF was raised during the audit with a total of six recommendations made.

The area which generated the HPF was:

- Corporate monitoring of procurement card expenditure

An action plan was agreed for the findings raised in the report.

Budget Setting 2014-15

The purpose of this audit was to ensure that budgets are set, taking into account the identified funding gap whilst maintaining alignment with the Norfolk County Council Plan 2012-15. The budget must take account of legal requirements, Government guidelines, accounting standards and the Prudential Code and reflects medium term planning prospects, where appropriate.

Overall, controls were in place at that time but certain areas needed strengthening to be considered fully adequate and effective.

With the change in Committee structure and on-going financial challenges the budget setting process for 2015-16 has been strengthened compared to 2014-15. Members take an active role in the consideration and compilation of the budget through service committees and the Policy and Resources Committee. Reports clearly address the available funding constraints and the results of budget consultations.

The Budgeting and Accounting team are planning to utilise a Budget Setting tool within the new Budget Manager application that is being rolled out to Budget Holders.

One HPF was raised during the audit with a total of two recommendations made.

The area which generated the High Priority Findings was:

- Completeness of budgets – this concerned:
 - providing sufficient analysis of some income streams to allow effective forecasting and control; and
 - Effective Budget holder recognition that, where budgets were removed due to savings, processes and changes in activity follow that

An action plan was agreed for the findings raised in the report.

Supporting Evidence**Corporately Significant Reports**

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 Chief Officers Group 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.

Review of Governance Arrangements

The Audit Committee has in its terms of reference to, 'Consider the Annual Governance Statement, and be satisfied 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'. Each year the Committee receives and approves the Council's Annual Governance Statement (AGS), alongside of the Annual Statement of Accounts. Each year work is undertaken to complete the AGS which reports on the Council's framework for good governance and how effective it has been.

Under the new system of governance from May 2014 – one of the Policy and Resources Committee's responsibilities is leading a review of the new Committee system.

Policy and Resources Committee received/<approved> a report on proposed arrangements for a [Review of Governance Arrangements](#) (Page 261) on 1st December 2014. The report asked Members to consider and agree arrangements for that review, which is expected to report to Committees in the March 2015 cycle setting out the issues raised, with a final report being submitted to the County Council's AGM in May 2015. The AGS for 2014-15 will then include the outcomes from that work when it is published next June and presented to this Committee for approval next September.

The difference we are making

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.

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 September 2014.

Feedback received was as follows:

Type of work	Questionnaires issued	Questionnaires received	
Standard audit	6	1	
Grants	8	0	
Analysis of results			
Number of questions	Very satisfied	Satisfied	Disappointed or Very Disappointed
11	3	8	0

The new simpler electronic “Survey Monkey” based questionnaire was launched from 20 May 2014 onwards to increase the likelihood of returns. A Service Level Agreement is being drafted for our services.

Property Asset Management
An Update for the Audit Committee – January 2015

1. Opportunities have been identified to strengthen the Council's property management arrangements and to drive greater value from its property estate. This paper outlines the progress that's been made in achieving this.
2. The historic model for managing the property estate has been reviewed and a new model developed and approved by Chief Officers Group (6/11/14). The new model involves the creation of a centralised internal property function – The Corporate Property Team – who develop property strategy and ensure effective delivery by the strategic property partner (NPS). This significantly increases the control that the Council has over its property assets and property services and its ability to drive value from them. The Corporate Property Team fits within the Finance Directorate.
3. The recruitment for the new team is underway and it is hoped that appointments will be made in March 2015. In the meantime, an interim team has been assembled (from 5/1/15), who are reviewing a number of key processes and are particularly focusing on areas that will generate savings or increased revenue for 2015/16. A key element in the process review work is to improve levels of control, where this is required to enhance value.
4. Asset Management Planning (AMP) is fundamental in optimising the estate. New AMP governance arrangements are being developed and the aim is to have them approved and in operation in February 2015. These arrangements are key to having an organisation-wide approach to developing and implementing the property strategy.
5. The current Asset Management Plan (2014 – 17) has been reviewed and is now being refreshed. The sign-off for the refreshed document will happen via the above governance arrangements and the target is to achieve sign off in March 2015.
6. Whilst there will be a new Asset Management Plan in March 2015, there will be work to do beyond then in developing the property strategy and ensuring that it meets the changing needs of the Council – e.g. the evolving locality working model.
7. Additional value can be derived from the property estate by joining up and co-locating services with other public sector agencies. This work is being done through the One Public Estate programme, where the Corporate Property Team made a successful bid to be included in this initiative, which started in September 2014. The programme is designed to facilitate and enable local authorities to work successfully with central government and local agencies on public property and land issues through sharing and collaboration.

made a successful bid to be included in this initiative, which started in September 2014. The programme is designed to facilitate and enable local authorities to work successfully with central government and local agencies on public property and land issues through sharing and collaboration.

Changes to the Norfolk Audit Services Audit Plan 2014-15

Audit From Original Approved 2014-15 Plan	Department	Days Out	Reason For Change	New Audit Now in Plan	Days Re-applied	Reduction in the Approved Plan (days)
Contract Audit	Public Health	15	Much of the programme on KPIs (Key Performance Indicators), performance monitoring, procedures was covered in the Public Health Performance Monitoring audit report issued on 28 July 2014. Deferred to 2015-16 as will provide better and more complete assurance for that year and better value for money & resource use.	Not Applicable (N/A)	0	-15
Planning for LAC	Children's Services	15	Children's Services Quality Assurance team are conducting checks on the pathway plan, which is the same review that NAS would conduct	To be agreed	15	0
Controlled Entities Governance	Contract	15	To be delivered as advice in next year's audit plan.	5 days used in advice/planning	5	-10
ICT Business Continuity & Resilience	ICT	5	DNA implementation is a priority.	Transferred to Accounts Payable Computer System audit budget.	5	0
Oracle EBS	ICT	5	DNA implementation is a priority.	Transferred to Accounts Payable Computer System audit budget.	5	0
Quality of contracted out care services for	Community Services	15	Audit cancelled due to assurance being obtained and risks covered in our Community	N/A	0	-15

MH/LD and residential care (excluding part B services)			Services Contract Monitoring audit, carried out in 2013/14.			
Role of QA	Community Services	15	Audit postponed until 2015-16 due to new proposed strategy and framework for Quality Assurance being taken to Committee in Autumn 2014.	N/A	0	-15
Inventory Management	Asset Management	9	Audit cancelled due to low risk, total value of inventory is approx £500,000 for all departments. Inventory Management does not include ICT assets, which will be included in another audit taking place in March 2015.	N/A	0	-9
Totals		94			30	-64

Audit Committee

Item No. 6

Report title:	Risk Management report (3rd Quarter 2014/15)
Date of meeting:	29 January 2015
Responsible Chief Officer:	Head of Finance (Interim)
Strategic impact Monitoring risk management and the corporate risk register helps the committee undertake some of its key responsibilities and provides contextual information for many of the decisions that are taken.	

Executive summary

This report provides the Committee with an update of the Corporate Risk Register and other related matters following the latest quarterly review conducted during the third quarter of 2014/15.

The update includes details of twenty-one risks proposed for inclusion within the Corporate Risk Register. Risks are where events may impact on the County Council achieving its objectives.

Recommendations:

Committee Members are asked to:

1. note the changes to the risk register
2. comment on the twenty-one corporate risks and add, amend or remove any risks as appropriate
3. consider if any further action is required

1. Proposal (or options)

1.1. Recommendations :

1. note the changes to the risk register
2. comment on the twenty-one corporate risks and add, amend or remove any risks as appropriate
3. consider if any further action is required

1.2. The Chief Officer Group has been consulted in the preparation of the Corporate risk register and this report.

2. Evidence

- 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. Following the most recent report to Audit Committee in September 2014 a review of the existing risks, as well as any new risks proposed for inclusion in the Corporate Risk Register, has taken place with the officers responsible and this has then been considered and reviewed by COG. This report is based on the outcome of that review.
- 2.3. Appendix 1 contains a copy of the full risk register as at 16 December 2014 following a review by all risk owners.
- 2.4. Appendix 2 contains a summary of the proposed updated full Corporate Risk Register as at 16 December 2014 following a review by risk owners.
- 2.5. Appendix 3 contains the financial implications of the risks on the Corporate Risk Register. This chart was included in the Finance Report to the P&R Committee in December.
- 2.6. In total, it is recommended that twenty-one risks are included on the Corporate Risk Register. The September Audit Committee reviewed twenty-one risks that were on the Corporate Risk Register at that time.
- 2.7. Within the constraints of the target date (which provides a time-frame for the risk) and using the Generic Risk Impact Criteria Model and Likelihood Criteria Model the three risk scores can be determined. Each risk score is expressed as a multiple of the impact and the likelihood of the event occurring.
 - Inherent risk score – the level of risk exposure before any action is taken to reduce the risk
 - Current risk score – the level of risk exposure at the time the risk is reviewed by the risk owner, taking into consideration the progress of the mitigation tasks
 - Target risk score – the level of risk exposure that we are prepared to tolerate following completion of all the mitigation tasks.
- 2.8. 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 four risks are reported as “High” (risk score 16–25), sixteen as “Medium” (risk score 6–15) and one as “Low” (risk score 1-5).

2.9. The four risks with a current “High” risk score are as follows:

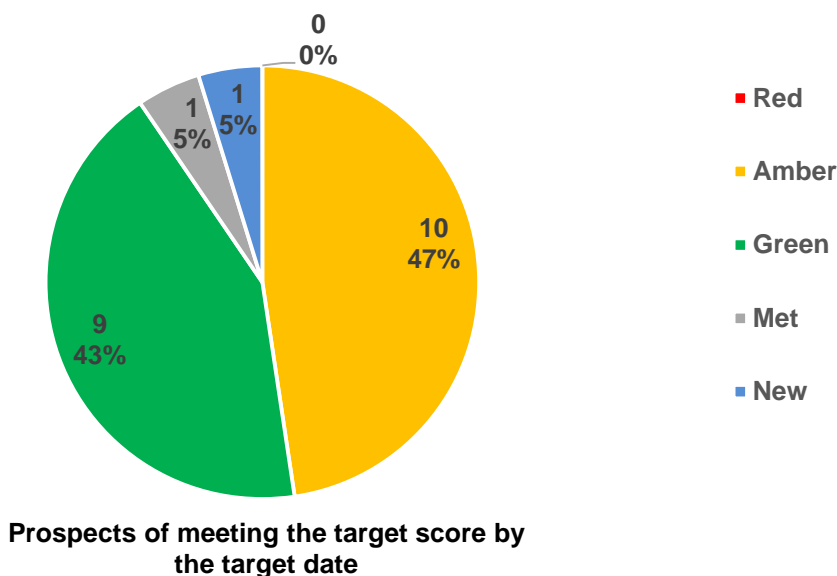
- RM13906 “Looked After Children overspends” this is a high risk because increased funding for LAC will result in reduced funding elsewhere.
- RM14079 “Failure to meet the long term needs of older people” remains a high risk because of the increasing demand for the service.
- RM13968 “Failure to follow data protection procedures”, following further breaches.
- RM14097 “Shortage of personnel for a variety of reasons”.

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

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

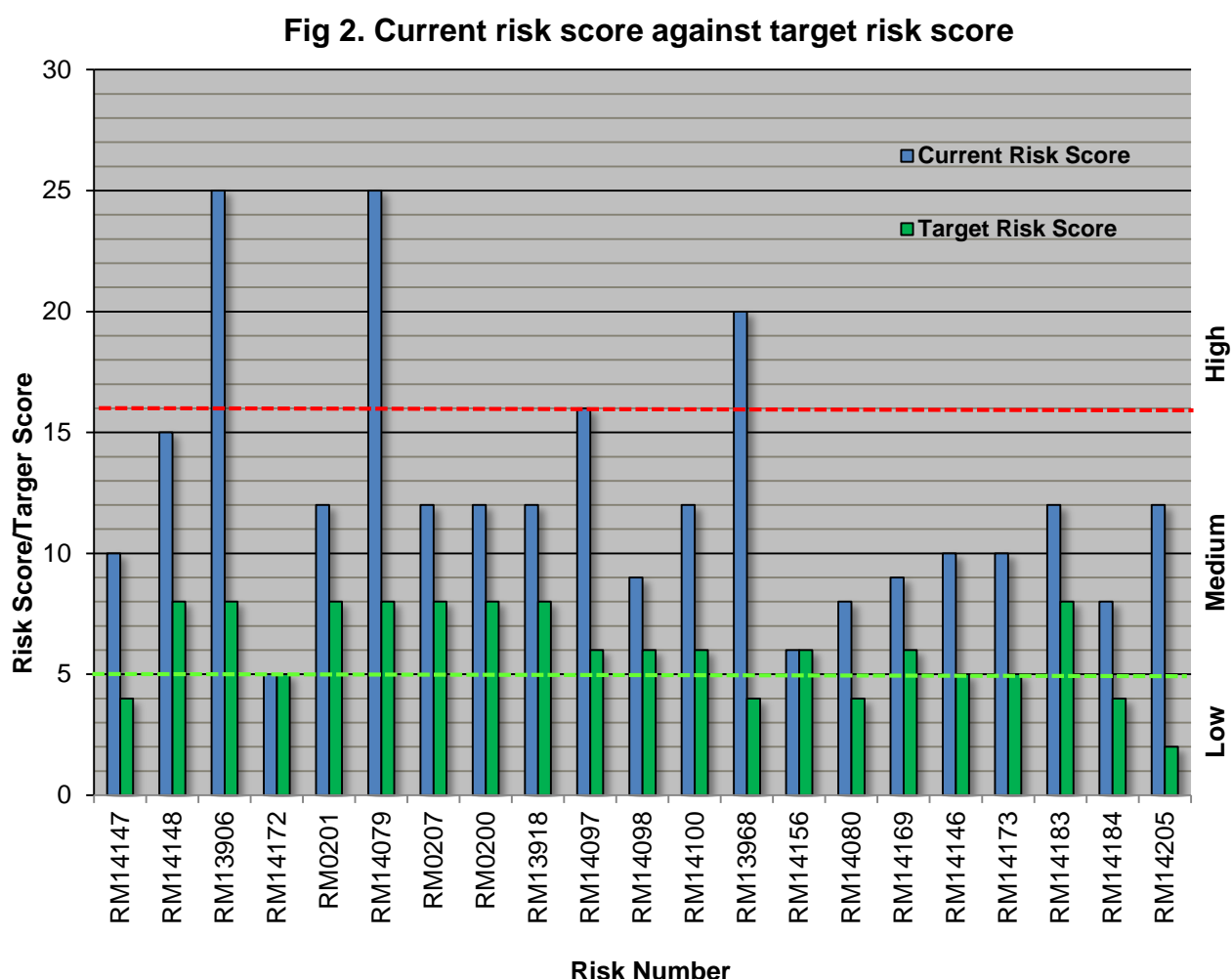
2.11. Risk owners have considered whether the risk will meet the target score by the target date. Ten risks are assessed as “Amber– some concerns” that targets may not be met, and nine are assessed as “Green - on schedule” to meet their target. One risk is new to the register and no progress is reported as yet and one risk has met the target, there are no “Red” rated risks.

2.12. Fig 1. Reflects the percentages of risks in each category.



2.13. Risk RM14172 “Residual Waste Treatment Contract termination process” is reported as having met the target score by the target date. The final settlement of £33.7m has been made to CW on 1 December 2014 following extensive discussions and challenge.

2.14. Fig 2. Compares the current risk scores and the target risk scores of the twenty-one risks. The chart also identifies the transition points from low to medium to high risks



2.15. The average for the current risk score is 12, which places our combined level of risk in the middle of the medium category. The target scores are a reflection of our risk appetite, the level of risk the risk owner is willing to pursue or retain, and the average score for the combined target risk scores is 6 placing it at the bottom of the medium category. Clearly it is the progress of the risk mitigation tasks that acts upon the current risk scores to reduce them towards the target risk score level.

2.16. **Significant changes to the Corporate risk register**

Since the last review by Audit Committee, one risk has been removed and one risk has been added to the risk register, the changes are as follows:

Risk removed.

- Risk RM14155 “Embedding the committee system” has now been removed from the risk register. The scope and governance of the Committee system has been agreed by the Policy and Resources Committee. The progress of

this risk will be monitored through the Resources Department risk register and therefore the Policy and Resources Committee Performance Report.

Risk added.

- Risk RM14205 “Failure to enter into and manage traded services on a sound commercial basis”. The risk has been added because it has been identified that the trading activity across NCC does not have a consistent management approach or governance which is necessary in a commercial organisation. As a result we do not have a clear view of the full cost of services delivered to external customers and their impact on internal service provision and we cannot ensure that we are recovering all costs. In addition to this we are not consistently managing the corporate risks that we take on when entering into a trading relationships outside the authority which could lead committing NCC to contracts which are contrary to our strategy or which may be a financial drain on our shared services.

2.17. Significant changes to the Corporate risk register

Since the last review by Audit Committee, one risk has had the current risk score increased and two risks have had the current risk score reduced, the risks are as follows:

Current risk score increased.

- The current risk score for risk RM14097 “Shortage of personnel for a variety of reasons” has seen the current risk score increased from 12 (likelihood 3 x impact 4) to 16 (likelihood 4 x impact 4) because there are additional concerns around the use of Oracle and the loss of some expertise on the use of the system. A contract with a 3rd party supplier has been approved and will commence by the end of the year. The position will be reviewed again at the end of the 4th quarter to assess the effectiveness of the mitigation.

Current risk scores decreased.

- The current risk score for risk RM14146 “Failure to effectively manage County Hall refurbishment and maintenance” has been reduced from 15 (likelihood 3 x impact 5) to 10 (likelihood 2 x impact 5). This is to reflect the completion of works on the 8th and 7th floors and the current progress on the other floors being on target.
- The current risk score for risk RM14172 “Residual Waste Treatment Contract termination process” has been reduced to 5 (likelihood 1 x impact 5). This is to reflect the fact that the final payment has been made to the contractor Cory Wheelabrator to terminate the contract. The risk will be removed from the risk register at the next iteration.

3. Benchmarking

- 3.1 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 the CIPFA Benchmarking Club to measure risk management performance internally against prior years and also externally against the performance of other UK public sector member organisations.

- 3.2 The results provide 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.
- 3.3 The 2014 scores of the County Council show a slight improvement on the 2013 result and compares favourably with those of the other participating 36 member organisations, achieving results that rank within the top three in all seven sections, despite ranking only 19th in terms of dedicated risk management resource. Members of the Benchmarking Club include representatives from County Councils, Unitary Councils, Metropolitan Borough Councils and Blue Light services. The areas covered as part of the exercise are:
- Leadership and Management
 - Policy and Strategy
 - People
 - Partnership and Shared services
 - Process
 - Risk handling and Assurance
 - Outcomes and Delivery
- 3.4 Fig 3. is a synopsis of the scores in the seven sections for Norfolk County Council against the group averages for the last four years. The 2014 averages are the actual club averages, for previous years the averages are scaled up or down from the 2014 figures based on the average rate of change in each year

Fig 3.

	2011	2012	2013	2014
A - Leadership and Management	92	94	98	96
<i>Group average</i>	69	73	75	76
B – Policy and Strategy	96	96	100	100
<i>Group average</i>	65	71	75	77
C – People	93	91	93	96
<i>Group average</i>	69	72	74	75
D – Partnership and Resources	82	85	92	92
<i>Group average</i>	68	67	71	70
E – Processes	92	96	98	100
<i>Group average</i>	74	78	78	76
F – Risk Handling and Assurance	86	86	95	96
<i>Group average</i>	74	68	69	70
G – Outcomes and Delivery	75	77	91	93
<i>Group average</i>	58	73	67	69

- 3.5 The full Alarm CIPFA report for 2014 and more detailed information about the progress made based on various benchmarking exercises undertaken since 2006 is available from Strategic Risk Management if required.

4. Risk management reporting to Committees

- 4.1 As a result of requests from Members and with support of the Chair and members of the Audit Committee it was agreed the all departmental risks should be formally reviewed at the appropriate committees
- 4.2 The recent round of Performance Reports to Committees have included a specific section on risk management highlighting all departmental risks. The reporting is by exception, including full information for risk with a current risk score of 12 and above where the prospects of meeting the target score by the target date is reported as amber or red. It is intended that a risk report will be presented to each Committee on a quarterly basis, at the same time as the Performance Report.
- 4.3 Members did engage in questions relating to the risk registers and officers were able to respond as appropriate.

5. Financial Implications

- 5.1 There are no financial implications other than those identified within the risk register

6. Issues, risks and innovation

- 6.1. There are no further risks than those described elsewhere in this report.

7. Background

- 7.1. Appendix 1 contains a copy of the full risk register as at 16 December 2014.
- 7.2. Appendix 2 contains a summary of the proposed updated full Corporate Risk Register as at 16 December 2014.
- 7.3. Appendix 3 contains the financial implications of the risks on the Corporate risk register
- 7.4. The review of existing risks has been completed with responsible officers and has been reviewed by COG.
- 7.5. There remains a strong corporate commitment to the management of risk and appropriately managing risk, particularly during periods of organisational change, such as the accelerated programme to deliver all the elements of the vision for the County Council.
- 7.6. 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.

Officer Contact

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

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Email address : steve.rayner@norfolk.gov.uk



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

Risk Register - Norfolk County Council - Appendix 1																					
	Risk Register Name		Corporate Risk Register														Red				
	Prepared by		Steve Rayner									High				Amber					
	Date updated		December 2014									Med				Green					
	Next update due		March 2015									Low				Met					
CDGSTP	Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Inherent Likelihood	Inherent Impact	Inherent Risk Score	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 <i>(Children's Services Committee)</i>	RM14147	Failure to improve at the required pace.	CS Teams do not show the improved performance at the speed which is acceptable to DfE and Ofsted.	01/12/2013	2	5	10	2	5	10	Additional capacity in leadership and management in place with 'grow our own' model for sustaining social worker capacity in place. Additional social worker capacity in place. Robust and systematic performance management structures and processes established and beginning to embed. System leadership priorities to be agreed.	SOCIAL CARE: Improvement board has completed its work as part of NCC CS Phase 1 improvement. NCC and DfE are working together on the model for further challenge and support to assure and ensure pace and range of improvement activities. System leadership discussions are continuing with key partners' CEOs and are led by NCC MD. Signs Of Safety has been adopted as the philosophy of social work across NCC CS and partner services . Evidence from QA and Performance reports shows that improvements continue in the right direction. Recruitment to NIPE is complete and additional capacity is being offered through this initiative. NFF continues strong and rapid progress towards targets. SUPPORT FOR SCHOOL IMPROVEMENT: Ofsted inspection evidences that LASSI is effective. Overall - the restructure of children's services will ensure that structures are more strongly aligned with strategic priorities and new ways of working.	1	4	4	31/01/2016	Green	Sheila Lock	Helen Wetherall	01/12/2014
C	Children's Services <i>(Children's Services Committee)</i>	RM14148	Overreliance on interim capacity	Overreliance on interim capacity at leadership and management levels and in social worker teams leads to unsustainable performance improvement.	01/12/2013	4	5	20	3	5	15	Succession Planning. Skills and knowledge transfer from interim to permanent staff in place and showing positive impact. Need for permanent replacement to interim to senior leadership team.	NIPE initiative is providing significant additional capacity and is showing signs of improving performance in teams were deployed. New structure has been published for consultation. Advertisements for DCS and ADs have been published and processes are moving forward to timescale and plan.	2	4	8	30/06/2015	Amber	Sheila Lock	Helen Wetherall	01/12/2014
C	Children's Services <i>(Children's Services Committee)</i>	RM13906	Looked After Children 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	5	5	25	LAC Reduction Strategy agreed by CSLT and being applied. LAC Panel now in place, chaired by DCS. Target reunification given to all LAC Teams and IRO's	Interim team targets have been profiled over the next year and a tracker to be produced. Interim additional management in place to drive performance to achieve targets. Private sector (Ingson's) reviewing every LAC case to address performance issues and identification of re-unification opportunities. work etc.	2	4	8	30/06/2016	Amber	Sheila Lock	Helen Wetherall	01/12/2014
C	Environment Transport and Development <i>(EDT Committee)</i>	RM14172	Residual Waste Treatment Contract termination process.	Contract termination notice on 24 April effective on 16 May 2014. Payments would be due in July 2014 but there is the risk that payments could be delayed, the process could become protracted or a claim for a higher compensation figure could be made. The three heads of cost are: the capped compensation figure of £20.3 million as well as any overhedging payments, the payment for cancelling arrangements in place to mitigate risks of interest and foreign exchange risks at £11.8368 million and the County Council's share of the public inquiry costs estimated at around £1.6 million and actually closer to £1.275m when the final figure was established and taking in to account reclaim of VAT.	12/06/2014	3	5	15	1	5	5	Adhere to terms of contract. Ensure suitable resources are available to meet payments as required. Undertake all due diligence and challenge where required. Utilise specialist advice and support.	Cancellation of arrangements to mitigate the risks of interest and foreign exchange rates occurred on 16 May with suitable internal and external scrutiny of the process and payment was made 14 July. Evidence was provided justifying scale of compensation up to a capped figure, overhedging payments and public inquiry costs and further information was requested. Suitable specialist advisors undertook due diligence and external legal advice was in place to advise. On 21 July a payment was made for the agreed compensation for the Public Inquiry cost. On 02 September a compensation payment was made in relation to the capped figure and overhedging payments. This reflected the level of compensation required under the contract that could be justified at that point taking into account the expert advice and diligence obtained in scrutinising the claim by both our legal and financial advisors. Some amounts were withheld pending further evidence being submitted by CW and a further payment was made on 03 November. Representations were made by CW for additional payments beyond that which were identified to Full Council in May 14 but a final settlement of £33.7m was agreed on 28 November which was announced on 01 December.	1	5	5	31/03/2015	Met	Tom McCabe	Joel Hull	01/12/2014

CDGSTP	Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Inherent Likelihood	Inherent Impact	Inherent Risk Score	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 (EDT Committee)	RM0201	Failure to implement Norwich Northern Distributor Route (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 (JCS).	01/04/2005	3	4	12	3	4	12	Following confirmation of funding, complete work required by DfT to regularly report on-going project progress for the NDR (and Postwick Hub, for which the funding is linked) to maintain funding allocation. Work on Public Examination process for delivery of necessary Development Consent Order for NDR. Ensure all necessary timescales for the Examination process are met. Work with DfT regarding the Full Approval process for the NDR at the appropriate point following completion of the Examination process.	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 a maximum contribution of £86.5m funding for the NDR (which includes £19m for Postwick Hub). However the funding cannot be drawn down for the NDR until 'Full Approval' stage, which follows completion of statutory processes (i.e. confirmation of the Development Consent Order - DCO). The DCO consolidates the planning/land CPOs/highway Orders into one process overseen by the Planning Inspectorate - called the Examining Authority (ExA). This has provided more confidence in the timescales to deliver the NDR, with the potential to commence construction in the Summer of 2015 and open the NDR in Autumn 2017. The NDR examination in public started on 2 June 2014 and will last a maximum of 6 months.	2	4	8	01/11/2017	Amber	Tom McCabe	David Allfrey	26/11/2014
C	Community Services Transformation (Adult Social Care Committee)	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	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. Actions are in hand to achieve these, e.g. adjustments to the Resource Allocation System for Community Activities/Well Being and Transport were made on 1 April 2014. However it is proving difficult to make the savings in 2014-15. The Care Act including changes in social care funding will impact significantly: more people eligible for social care funding; less service user contributions; and it is not clear whether there will be additional/sufficient government funding. The guidance is still draft. A project is in place to help ensure the department delivers the changes arising from the Care Act. It appears that there will be further and sustained cuts to local government funding.	2	4	8	31/03/2030	Amber	Harold Bodmer	Janice Dane	10/12/2014
C	Community Services Transformation (Adult Social Care Committee)	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	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 	A review of the fees paid to the independent sector was undertaken in 2012-13 and informed the inflationary uplift discussions with provider representatives for 2013-14 and 2014-15. 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. The department is relaunching the Care Aware service, which provides independent financial advice. Most of the 2013-14 budgeted savings were achieved and where they weren't they were offset by underspends elsewhere in the department and the use of some reserves. Actions are in place to deliver the 2014-17 savings but there are risks associated with the savings, and they are proving difficult to achieve in 2014-15. The Purchase of Care budget and the department are forecast to overspend in 2014-15. Work is progressing on integration with NCH&C and around the setting up and delivery of the Better Care Fund (BCF). The Council will receive approximately £6m less funding from the BCF than NCC included in the budget plan to maintain current services. This is being fed into the corporate budget planning.	2	4	8	31/03/2015	Amber	Harold Bodmer	Janice Dane	10/12/2014

CDGSTP	Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Inherent Likelihood	Inherent Impact	Inherent Risk Score	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	Corporate (P&R Committee)	RM0200	Capacity for change - Insufficient capacity for business transformation	The proposals require significant transformation and change to services and there is a risk that there will be insufficient capacity to re-design services and implement new ways of working. 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	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: Resource issues impacting the delivery of the NCC change programme are being addressed at a departmental level in the first instance and where there are issues which require priority decisions or additional funding they will be escalated to COG for resolution. Resource requirements for broader 'business transformation' activities which do not fall under the NCC change programme are currently being managed within each Directorate.</p> <p>Process, Behaviour and Planning: Project and programme resource pinch points are being addressed at project and programme board level for resolution and escalated to RMT only when they cannot be resolved.</p> <p>Systems and Management Information: The Portfolio and Resource Management System (PRMS) is now rolled out across Shared Services Programme and the large Directorate Transformation Programmes. This enables demand for shared services to be identified at a project level which will provide information for resource planning in shared services. The first pilot using this application for resource management is underway in the corporate programme office (CPO) and following a lessons learnt review in January 2015 the potential for a wider rollout for shared services will be discussed.</p>	2	4	8	31/03/2017	Amber	Anne Gibson	Diana Dixon	25/11/2014
C	HR Shared Services (P&R Committee)	RM13918	Staffing - The speed and severity of change in work activities.	The risk that skills and knowledge may be lost as people leave or are made redundant, and that staff morale is adversely affected. 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	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 :- <ul style="list-style-type: none"> (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). 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. 	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 surveys 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 Committees - end of year figures show overall reduction in sickness absence compared to previous years. Reviewed at COG in December 2013 confirmed no change to prospects or current score. 12 March 2014 - New employee survey scheduled for May 2014. No change to scoring or prospects.	2	4	8	31/03/2017	Green	Audrey Sharp	Kerry Furness	11/12/2014

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C	HR Shared Services (P&R Committee)	RM14097	Shortage of personnel for a variety of reasons e.g.. illness, industrial action, inclement weather etc., including loss of key senior personnel	The risk of a shortage of personnel could result in inadequate capacity to deliver our services, reputational damage for the organisation, and litigation in the case of being unable to deliver our key statutory obligations. This is particularly the case with Payroll specialist and Oracle functional/ technical staff given the high level of payroll legislative changes (Real Time Information, Pension Scheme changes (LGPS 2014, TP & NHS 2015)) impacting at the same time as extensive organisational change.	01/04/2013	3	4	12	4	4	16	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.	11 March 2014: Arrangements established for bringing together focused Org Review Team to support change programme. Retention of specialist resource agreed to March 15. Continuing management of high demand on Payroll and ESC staff due to LGPS2014, TP and RTI. 11 Dec 14: Payroll service delivery is at increasing risk as a result of the erosion of Oracle expertise within NCC combined with increasing statutory requirements. This has been mitigated by the introduction of a support contract commencing 24 Dec 14 with a 3rd party supplier however the detailed working arrangements, responsiveness and quality of service provision (an increased risk given some areas of concern identified during contract evaluation) are, as yet, untested. More generally the expectation is that significant and intensive HR activity will be required to support the wider organisation achieve the necessary budget reductions in 15/16 and thereafter. This will also be at a time when the HR fuction is undergoing its own transformation and reduction in size reducing available capacity and skills.	3	2	6	31/03/2015	Amber	Audrey Sharp	Ian Cooper	15/12/2014	
												Ian Cooper - Maintain critical skills within NCC's Corporate HR system.	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.									
C	Environment Transport and Development (EDT and P&R Committee)	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.	01/04/2013	3	3	9	3	3	9	BCPR001 To ensure a corporate approach to work area recovery is agreed.	Work underway to review and assess core NCC service requirements in line with current organisational change. This will be fed into a new corporate WAR plan. A revised plan for NCC corporate WAR will be presented to the BC Management Board early 2015	3	2	6	31/03/2015	Amber	Tom McCabe		23/10/2014	
												BCPR005 Adrian Blakey Ensure robust out of hours arrangements for all premises access in the event of an incident exist.	Work has been progressed to ensure details of Premise Managers and key holders are available via the C2 system. Out of hours arrangements have been detailed in the SLA between NPS and NCC however this SLA has not been signed off and so the arrangements have not yet been initiated. Please note: this action cannot be progressed any further until agreement is reached corporately between NCC and NPS on the service level agreement - dialogue is ongoing around this.									
												BCPR007 Graham Wray To ensure evacuation procedures are in place which minimise disruption and support recovery.	Evacuation plans are being progressed. Two new evacuation points have been agreed for the North Wing and for the basement levels. A new main assembly point is currently in development. NPS needs to document evacuation arrangements which include input from the Resilience Team regarding communications and issues which need to be considered in the event we could not return to part or all of CH. Work ongoing and almost at completion.									

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												BCPR009 Andrew Crossley To create an alternative exit for CH for use in emergency.	A report went to Norwich City for consultation with cabinet in November 2013. Report received from NPS, LR has provided a full response on behalf of the Resilience Team including responses to previous objectors. Once NPS have reviewed comments they will advise us so we can discuss with relevant Members. New meeting date currently being arranged to discuss with Members along with review of project details.								
C	Resources ICT (P&R Committee)	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	3	4	12	<p>Ensure ICT solutions are designed, implemented and operated to provide the agreed level of resilience.</p> <p>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>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>Ensure provision of appropriate ICT support for business services operating outside of standard business hours.</p>	<p>ICT systems and services will migrate to Tier 3 (National infrastructure) data centres as part of DNA during 2014. As part of this work HP will deliver a Business Continuity plan and Disaster recovery plan for the services transferring and update them as the work progresses. The corporate Business Continuity Team will be directly involved.</p> <p>Update of 7 August to be followed up by a review of the BIA and individual ICT plans, Infrastructure plans review to be completed in draft by the end of October. New solutions are designed by the Systems and Solution Integration team and DNA solution by the HP architects to include appropriate resilience.</p> <p>ICT Business Continuity plans are to be reviewed Feb 2014 and updated March 2014 to reflect lessons learnt as part of the datacentre power outage major incident. As part of the datacentre migration to HP we will be documenting all system dependencies to enable the move.</p> <p>Kurt Frary Infrastructure services manager has worked with business continuity team to review the BIA for ICT and will feed the outcome into the business continuity review. Initial meeting took place</p> <p>To be followed up by a review of the BIA and individual ICT plans, Infrastructure plans review to be completed in draft by the end of October.</p> <p>DNA was approved in November 2013 and work has commenced to plan the migration of services. ICT have been asked by Wendy Thomson to consider the provision of additional support hours.</p>	2	3	6	31/03/2015	Amber	Anne Gibson	Kurt Frary	02/12/2014

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C	Resources Information Management (P&R Committee)	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	5	15	4	5	20	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 of procedures are in place. 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. Further recommendations around the organisation information compliance status have been submitted and approved by COG. These recommendations are now being drawn up into a formal plans.	An Information Management Shared Service has been established to integrate all information activities, including Information Compliance and Information Security. Practioners 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. Reviewed 21 November 2013 - recommendations of Information Compliance Group presented to, and agreed by COG. Agreed no change to prospects and current scoring due to increased actions implemented and highlighted following recent breaches. Reviewed 04 February 2014 - no change. Reviewed 16 May 2014 - no change to scoring, however target date to be extended to 31 March 2015. 29-08-14 - IM has rolled out a DP Workshop programme for Children's Services specifically targeting DP within a social care environment. 30-09-14 - Working with Comms and OD the IM service are working to develop an organisation DP campaign centred on protecting and governing citizen centric personal information. 01-10-14 - IM are working with the business community to undertake a physical file audit to ensure robust Information Governance practices are embedded within the culture of the organisation. 25-11-14 - The Physical File Audit as a corporate project is underway, and will be undertaking a pilot with in Children's Service Social Care in the first instance with a project report due the beginning of January.	1	4	4	31/03/2015	Amber	Anne Gibson	Mark Crannage	25/11/2014
C	Resources Procurement (P&R Committee)	RM14156	Liability for legal challenge to procurements conducted by ESPO	The Eastern Shires Purchasing Organisation is a joint committee and the council, as a member authority, is liable for a share of any legal claim against ESPO which exceeds ESPO's modest reserves.	06/02/2014	3	3	9	2	3	6	A review of ESPO's governance processes has been undertaken and governance is now significantly more robust than in the past. However, large scale public procurement is inherently risky and tenderers are increasingly claims conscious.	A further review of ESPO structure is to be undertaken over the next two years and the issue of a limited liability structure, previously rejected by a majority of members, will be reconsidered. Reviewed December 2014, no changes	2	3	6	27/02/2015	Green	Peter Timmins	Joan Murray	10/11/2014
C	Resources Procurement (P&R Committee)	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	3	5	15	2	4	8	1) Implement a document automation system to make tender processes more consistent. 2) Further training for staff managing tender evaluation processes.	1) A product called HotDocs has been procured, implemented and to be to be rolled out by September 2013 2) Staff received 2 days of category management training in November. Transfer risk owner to Al Collier - HotDocs roll-out delayed due to other pressures. Scores to remain, however target date to be revised to 31 March 2014. First phase of HotDocs has been implemented for Tender documentation. Further developments planned. Reviewed December, no change	1	4	4	30/06/2015	Green	Al Collier	Joan Murray	10/11/2014
C	Finance (P&R Committee)	RM14169	Failure to deliver planned revenue budget savings in 2014/15	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 Putting People First consultation.	31/10/2013	3	3	9	3	3	9	Regular and robust monitoring and tracking of in-year budget savings by COG and members Regular finance monitoring reports to Committees	Currently there are indications that some of the required savings will not be delivered in 2014/15. Chief Officers are taking corrective action or identifying alternative savings to deliver a balanced outturn. The position will be continually monitored and reported to COG and Members during the year.	2	3	6	31/03/2015	Green	Peter Timmins	Harvey Bullen	24/11/2014

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Risk Register - Norfolk County Council - Appendix 2

Risk Register Name		Corporate Risk Register												Red	
Prepared by		Steve Rayner							High					Amber	
Date updated		December 2014							Med					Green	
Next update due		March 2015							Low					Met	
Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner		
Children's Services (Children's Services Committee)	RM14147	Failure to improve at the required pace.	CS Teams do not show the improved performance at the speed which is acceptable to DfE and Ofsted.	01/12/2013	2	5	10	1	4	4	31/01/2016	Green	Sheila Lock		
Children's Services (Children's Services Committee)	RM14148	Overreliance on interim capacity	Overreliance on interim capacity at leadership and management levels and in social worker teams leads to unsustainable performance improvement.	01/12/2013	3	5	15	2	4	8	30/06/2015	Amber	Sheila Lock		
Children's Services (Children's Services Committee)	RM13906	Looked After Children 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	5	5	25	2	4	8	30/06/2016	Amber	Sheila Lock		
Environment Transport and Development (EDT Committee)	RM14172	Residual Waste Treatment Contract termination process.	Contract termination notice on 24 April effective on 16 May 2014. Payments would be due in July 2014 but there is the risk that payments could be delayed, the process could become protracted or a claim for a higher compensation figure could be made. The three heads of cost are: the capped compensation figure of £20.3 million as well as any overhedging payments, the payment for cancelling arrangements in place to mitigate risks of interest and foreign exchange risks at £11.8368 million and the County Council's share of the public inquiry costs estimated at around £1.6 million and actually closer to £1.275m when the final figure was established and taking in to account reclaim of VAT.	12/06/2014	1	5	5	1	5	5	31/03/2015	Met	Tom McCabe		
Environment Transport and Development (EDT Committee)	RM0201	Failure to implement Norwich Northern Distributor Route (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 (JCS).	01/04/2005	3	4	12	2	4	8	01/11/2017	Amber	Tom McCabe		

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Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
Community Services Transformation (Adult Social Care Committee)	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	2	4	8	31/03/2030	Amber	Harold Bodmer
Community Services Transformation (Adult Social Care Committee)	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	2	4	8	31/03/2015	Amber	Harold Bodmer
Corporate (P&R Committee)	RM0200	Capacity for change - Insufficient capacity for business transformation	The proposals require significant transformation and change to services and there is a risk that there will be insufficient capacity to re-design services and implement new ways of working. 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	2	4	8	31/03/2017	Amber	Anne Gibson
HR Shared Services (P&R Committee)	RM13918	Staffing - The speed and severity of change in work activities.	The risk that skills and knowledge may be lost as people leave or are made redundant, and that staff morale is adversely affected. 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	2	4	8	31/03/2017	Green	Audrey Sharp
HR Shared Services (P&R Committee)	RM14097	Shortage of personnel for a variety of reasons e.g.. illness, industrial action, inclement weather etc., including loss of key senior personnel	The risk of a shortage of personnel could result in inadequate capacity to deliver our services, reputational damage for the organisation, and litigation in the case of being unable to deliver our key statutory obligations. This is particularly the case with Payroll specialist and Oracle functional/ technical staff given the high level of payroll legislative changes (Real Time Information, Pension Scheme changes (LGPS 2014, TP & NHS 2015)) impacting at the same time as extensive organisational change.	01/04/2013	4	4	16	3	2	6	31/03/2015	Amber	Audrey Sharp
Environment Transport and Development (EDT and P&R Committee)	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.	01/04/2013	3	3	9	3	2	6	31/03/2015	Amber	Tom McCabe
Resources ICT (P&R Committee)	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	2	3	6	31/03/2015	Amber	Anne Gibson
Resources Information Management (P&R Committee)	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	4	5	20	1	4	4	31/03/2015	Amber	Anne Gibson

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Resources Procurement (P&R Committee)	RM14156	Liability for legal challenge to procurements conducted by ESPO	The Eastern Shires Purchasing Organisation is a joint committee and the council, as a member authority, is liable for a share of any legal claim against ESPO which exceeds ESPO's modest reserves.	06/02/2014	2	3	6	2	3	6	27/02/2015	Green	Peter Timmins
Resources Procurement (P&R Committee)	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	1	4	4	30/06/2015	Green	Al Collier
Finance (P&R Committee)	RM14169	Failure to deliver planned revenue budget savings in 2014/15	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 Putting People First consultation.	31/10/2013	3	3	9	2	3	6	31/03/2015	Green	Peter Timmins
Resources Corporate Programme Office (P&R Committee)	RM14146	Failure to effectively manage County Hall refurbishment and maintenance.	Failure to effectively manage County Hall refurbishment and maintenance during the project may lead to: Excessive dust and noise resulting in interruption to work-related activities Release of asbestos resulting in the contamination of working areas and long term health issues. Flooding, specifically of the server room, resulting in delays to service delivery. Heightened risk of fire damage and personal injury due to inadequate fire alarm and evacuation systems.	01/11/2013	2	5	10	1	5	5	31/03/2016	Green	Harvey Bullen
Environment Transport and Development (EDT Committee)	RM14173	Failure to establish a waste management strategy and associated policies	Would result in compromising the County Council's ability to undertake integrated procurements and development of initiatives in a co-ordinated manner, with suitable involvement of its partners and stakeholders and could lead to a requirement to use emergency powers to fulfil its role as the Waste Disposal Authority for Norfolk and may compromise its ability to deliver improved value for money waste services.	12/06/2014	2	5	10	1	5	5	01/01/2015	Green	Tom McCabe
Resource ICT (P&R Committee)	RM14183	Loss of internet connection and the ability to communicate with Cloud provided services.	The loss of ability to communicate over the internet will result in a failure to deliver IT based services leading to a loss of reputation, service delivery and additional costs.	07/07/2014	3	4	12	2	4	8	01/03/2015	Green	Anne Gibson
Resources ICT (P&R Committee)	RM14184	Successful cyber attack.	A successful cyber attack will result in the loss or reduction of ICT capability leading to an inability to deliver or a restriction in our services. It will also result in a loss of sensitive data and/or information relating to service users and/or staff that could result in fines or legal challenge.	07/07/2014	2	4	8	1	4	4	01/03/2016	Green	Anne Gibson
Corporate (P&R Committee)	RM14205	Failure to enter into and manage traded services on a sound commercial basis	The risk that full costs are not recovered on NCC traded services and that we enter into contracts which could jeopardise NCC's ability to deliver our core services.	07/11/2014	4	3	12	1	2	2	31/12/2015	New	Peter Timmins

Risk Register - Norfolk County Council - Financial Implications

Risk Register Name		Corporate Risk Register										Red	
Prepared by		Steve Rayner										High	
Date updated		December 2014										Med	
Next update due		March 2015										Low	
Area	Risk Number	Risk Name	Financial Implications	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	
Children's Services	RM14147	Failure to improve at the required pace.	Funding set aside within ChS budget current position outlined in the recent Children's Service Committee Integrated Performance and Finance Monitoring report.	2	5	10	1	4	4	31/01/2016	Green	Sheila Lock	
Children's Services	RM14148	Overreliance on interim capacity	Funding set aside within ChS budget current position outlined in the recent Children's Service Committee Integrated Performance and Finance Monitoring report.	3	5	15	2	4	8	30/06/2015	Amber	Sheila Lock	
Children's Services	RM13906	Looked After Children overspends	Funding set aside within ChS budget current position outlined in the recent Children's Service Committee Integrated Performance and Finance Monitoring report.	4	4	16	2	4	8	30/06/2016	Amber	Sheila Lock	
Environment Transport and Development	RM14172	Residual Waste Treatment Contract termination process.	Contingency fund in place.	3	5	15	1	5	5	31/03/2015	Met	Tom McCabe	
Environment Transport and Development	RM0201	Failure to implement Norwich Northern Distributor Route (NDR)	Current funding secured.	3	4	12	2	4	8	01/11/2017	Amber	Tom McCabe	
Community Services Transformation	RM14079	Failure to meet the long term needs of older people	Long term risk to 2030 - funding considered as part of the on-going budget planning process. The current position is outlined in the September Adult Social Care Committee Finance Monitoring report.	5	5	25	2	4	8	31/03/2030	Amber	Harold Bodmer	
Community Services Transformation	RM0207	Failure to meet the needs of older people	Potential shortfall taken from reserves. The current position is outlined in the September Adult Social Care Committee Finance Monitoring report.	3	4	12	2	4	8	31/03/2015	Amber	Harold Bodmer	
Corporate	RM0200	Capacity for change - Insufficient capacity for business transformation	Low potential financial exposure - contingencies factored into appropriate budget planning.	3	4	12	2	4	8	31/03/2017	Amber	Anne Gibson	

Area	Risk Number	Risk Name	Financial Implications	Current Likelihood	Current Impact	Current Risk Score	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
HR Shared Services	RM13918	Staffing - The speed and severity of change in work activities.	Low potential financial exposure - contingencies factored into appropriate budget planning.	3	4	12	2	4	8	31/03/2017	Green	Audrey Sharp
HR Shared Services	RM14097	Shortage of personnel for a variety of reasons e.g.. illness, industrial action, inclement weather etc., including loss of key senior personnel	Low potential financial exposure - contingencies factored into appropriate budget planning.	4	4	16	3	2	6	30/09/2015	Amber	Audrey Sharp
Environment Transport and Development	RM14098	Incident at key NCC premises or adjacent causing loss of access or service disruption	Property (incl business interruption) insurance in place to mitigate potential financial exposure.	3	3	9	3	2	6	30/09/2015	Amber	Tom McCabe
ICT Shared Services	RM14100	Loss of key ICT systems	Low potential financial exposure - contingencies factored into appropriate budget planning.	3	4	12	2	3	6	31/03/2015	Amber	Tom McCabe
Information Management	RM13968	Failure to follow data protection procedures	Potential financial exposure due to penalties, factored into appropriate budget planning. Public Liability insurance in place to mitigate exposure to civil litigation.	4	5	20	1	4	4	31/03/2015	Amber	Tom McCabe
Resources Procurement	RM14156	Liability for legal challenge to procurements conducted by ESPO	Low potential financial exposure.	2	3	6	2	3	6	27/02/2015	Green	Peter Timmins
Resources Procurement	RM14080	Failure of tender process	Any financial contingency planning must be considered on a case by case basis and accounted for in appropriate budget planning.	2	4	8	1	4	4	30/06/2015	Green	Peter Timmins
Finance	RM14169	Failure to deliver planned revenue budget savings in 2014/15	Funding set aside and monitored as part of the overall budget monitoring and reporting process.	3	3	9	2	3	6	31/03/2015	Green	Peter Timmins
Resources Corporate Programme Office	RM14146	Failure to effectively manage County Hall refurbishment and maintenance.	Funding set aside and monitored as part of the overall budget process.	2	5	10	1	5	5	31/03/2016	Green	Peter Timmins
Environment Transport and Development	RM14173	Failure to establish a waste management strategy and associated policies	Funding set aside and monitored as part of the overall budget process.	2	5	10	1	5	5	01/01/2015	Green	Tom McCabe
Environment Transport and Development	RM14183	Loss of internet connection and the ability to communicate with Cloud provided services.	No specified financial implications identified at this time.	3	4	12	2	4	8	01/03/2015	Green	Tom McCabe
Environment Transport and Development	RM14184	Successful cyber attack.	No specified financial implications identified at this time.	2	4	8	1	4	4	01/03/2016	Green	Tom McCabe

Audit Committee

Item No 7

Report title:	A Half Yearly Update of the Audit Committee
Date of meeting:	29 January 2015
Responsible Chief Officer:	Audit Committee Chairman
Strategic impact The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference, which is part of the Council's Constitution. This report, which summarises the work of the Audit Committee in the half year ended 30 September 2014, confirms that its function is consistent with best practice and demonstrates the impact of its work and how it adds value. Its work is reported to full Council.	

Executive summary

Recommendation:

The Audit Committee should consider if the arrangements are satisfactory and note that the Committee

- is independent of the executive function, reports directly to full Council and has terms of reference that are consistent with CIPFA's guidance and best practice,
- provides effective challenge across the Council and independent assurance on the system of internal control, including the management of risk, to members and the public,
- can demonstrate the impact and value of its work; and
- is monitoring the Secretary of State's plans for the Future of Local Public Audit.

1. Proposal (or options)

- 1.1 The proposal is shown at the Executive summary above.

2. Evidence

- 2.1 The last Audit Committee Chairman Report was an annual report which was presented at the meeting in April 2014.
- 2.2 The Committee fully meets the criteria recommended in CIPFA's checklist for measuring the effectiveness of an Audit Committee.
- 2.3 The Committee's work adds value by:
- Supporting the Council's objectives in achieving a reputation for good governance, sound internal control and good value for money; and
 - Reducing the potential cost burden and operational disruption when risks, internal control weaknesses, frauds or corruption are avoided or mitigated.
- 2.4 The Committee promotes the principles of good governance and their application to decision making. It has challenged, scrutinised, championed its functions and provided oversight in accordance with its Terms of Reference. Examples are where Senior Officers were invited to speak at meetings on key topics, such as the Email Outage. The Committee also commissioned the following reports:
- Email Outage Risk Report
 - Risk Management Report - Waste Management Risk Reporting
- 2.5 The Committee has continued to champion and encourage sound risk management in the Council, including how it is reported to members, and to provide member challenge and review for the Corporate Risk Register. The Committee has encouraged discussion of risk at the service committees and Policy and Resources. At the September 2014 Audit Committee the additions and changes to risks and removal of risks were discussed. The Committee asked that where risk ratings move from Amber to Red that the relevant Chief Officer is asked to attend the Committee to explain what action is being taken.
- 2.6 The Committee helps the Council to implement the values of good governance, including effective arrangements for countering fraud and corruption risks. The Committee has received updates on work to counter fraud and corruption and supports the promotion of the Council's zero tolerance to fraud and corruption. The Committee received a report on Protecting the Public Purse in April 2014.
- 2.7 The Committee has considered reports on the governance of the Norfolk Pension Fund to inform its consideration where they are included in the Council's Annual Statement of Accounts.

- 2.8 The Committee considered the effectiveness of the governance, control and risk management for Treasury Management when it received a report on this.
- 2.9 In the light of the Committee's response to the Government's consultation proposals, the Committee will continue to track the Government's response to changes in external audit arrangements and the future constitution of this Committee.
- 2.10 The Committee continues to develop its role and impact through on-going member training and the development of the Committee's work programme.
- 2.11 Further technical details of the Committee's work appear in **Appendix A** for information.
- 2.12 Reports have been received from Chief Officers, the External Auditors or were commissioned by the Committee covering a wide range of topics, listed at **Appendix B**. The list comprises all reports from April 2014, for information.

3. Financial Implications

The Committee's work covers the Council's and Pension Fund's Revenue and Capital Expenditure and their Assets & Liabilities.

3. Issues, risks and innovation

- 4.1. The Committee fully meets and demonstrates best practice for an Audit Committee as promoted by CIPFA in its publication, Audit Committees\Practical Guidance for Local Authorities and Police – 2013 Edition.
- 4.2. **Risk implications**
- This report has fully taken into account any relevant issues arising from the Council's policy and strategy for risk management and any issues identified in the corporate and departmental risk registers.
- 4.3. The Committee fully supports innovative practice within the overall priorities for robust and efficient internal control, risk management and good governance. The Committee receives and considers reports where new practices are proposed.
- 4.4. There are no implications with respect to:
- Resource
 - Legal
 - Equality
 - Human Rights
 - Environmental

- Health and Safety.

5. Background

- 5.1. The Council is required under the Accounts and Audit Regulations (England) 2011 to make provision for internal audit in accordance with “proper practices in relation to internal control”. CIPFA, in collaboration with the Chartered Institute of Internal Auditors (CIIA) have produced the UK Public Sector Internal Audit Standards (the Standards) which came into force on 1 April 2013 and replaced the CIPFA Code of Practice. CIPFA, in collaboration with the CIIA, also published in April 2013 the Local Authority Guidance Note (LAGN) for the Standards.
- 5.2. The Audit Committee was established in 2005; it
 - reports directly to full Council and
 - has seven members.
- 5.3. As part of good practice and in accordance with its Terms of Reference (part I3), this report from the Chairman summarises the work of the Committee for the half year ended 30 September 2014. This report also confirms that the Committee’s function is consistent with best practice, demonstrates the impact of its work and how it adds value.
- 5.4. Under section 17 of the Crime and Disorder Act 1998, the Council has a statutory general duty to take account of the crime and disorder implications of all of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.
- 5.5. Internal Audit helps with this by aiming to deter crime, to increase the likelihood of detection through making crime difficult, to increase the risk of detection and prosecution and to reduce the rewards from crime.
- 5.6. **Background papers**

See **Appendix B** for list of relevant background papers which are available on the Council’s Committee Papers webpages.

Officer Contact

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

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

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Tel No: 01603 222784

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

Appendix A

Technical Details

Section 1 details

- 1.1 The Audit Committee membership is set out in the Council's Constitution:

"7 Members of the Council, on a politically balanced basis."
- 1.2 The Committee considered and approved the Council's Accounts and Annual Governance Statement. In accordance with regulations covering the reporting of the Statement of Accounts, the September 2014 meeting received and approved the Council's Annual Governance Statement 2013-14, the Letter of Representation, the Annual Statement of Accounts 2013-14, and the External Auditor Annual Governance Report Audit 2013-14. The Committee advises on the adequacy of the assurance framework and that it is deployed efficiently and effectively. It also promotes effective public reporting to the Council's stakeholders, the community and measures to improve transparency and accountability. The Committee has noted with satisfaction the contents of the Annual Governance Report of the External Auditor concerning the external audit of the Council's Annual Financial Statements 2013-14, and in particular reference to the unqualified audit opinions on the 2013-14 Statement of Accounts.
- 1.3 The Committee is contributing to the development of an effective control environment. As an on-going project, the Committee has sought assurance that continued good governance, internal controls and risk management are present in services that are the subject of organisational change as a result of the Council's Transformation Programme.
- 1.4 The Committee supports the quality of the internal audit activity and underpins its independence when it considers the Annual Internal Audit Report. That annual report demonstrates how the Committee, through the functions of internal audit and risk management contributes to the Council's goals and objectives by helping ensure appropriate governance, risk, control and other assurance arrangements. It also supports the development of robust controls for ensuring value for money.
- 1.5 Monitoring of compliance with the Council's rules concerning Member and Chief Officer expenses claims continues. No significant exceptions

have been reported. Ongoing reminders on procedures to those claiming expenses are being issued.

- 1.6 The Committee understands the Council's framework for risk assessment, management and the assignment of responsibilities and as well as championing best practice it critically challenges and reviews the corporate risk register to provide assurance that the arrangements are actively working in the Council.
- 1.7 The Committee benefits from some members with an audit and finance background. The Committee is also able to draw on expert advice when required. Members received a full induction in their role in particular that relating to risk management and reviewed ongoing training needs at their June 2011 meeting. Training has taken place as follows:
 - September 2014 – Training on the Approval of the Annual Statement of Accounts and Annual Governance Statement
- 1.8 The Finance function (including Internal Audit, Strategic Risk and Insurance), the Monitoring Officer, External Audit and the Audit Committee work in partnership to provide a sound base for good governance. The Chairman meets periodically with the Head of Finance, the Chief Internal Auditor and the Strategic Risk manager.
- 1.9 The Committee has also established links with other County Council Audit Committees in the Region to promote good ways of working.
- 1.10 The Committee fully meets best practice (from CIPFA) for good governance and the Council can demonstrate that it is effectively delivering the core functions of an audit committee, as identified in the CIPFA guidance and its Terms of Reference.
- 1.11 This half-yearly report has summarised the work of the Committee over the last six months, confirmed that its function is consistent with best practice and has demonstrated the impact and value of the Committee's work. It has regularly reported its work to the full Council.

Appendix B

A Half Yearly Update of the Audit Committee

A report from the Chairman

Reports received by the Audit Committee during the twelve months to 30 September 2014.

Report Title	Report By	Meeting date
Audit Commission - Protecting the Public Purse	Head of Law (Monitoring Officer)	April 2014
Risk Management Report (4th Quarter 2013/14)	Interim Head of Finance	April 2014
External Audit – Audit Plan	Interim Head of Finance	April 2014
Norfolk Audit Services Quarterly Report for the Quarter ended 31 December 2013.	Interim Head of Finance	April 2014
An Annual Update of the Audit Committee	Chairman	April 2014
Norfolk County Council Summary - Statement of Accounts 2012-13.	Interim Head of Finance	April 2014
NCC 2014-17 Budget Book	Interim Head of Finance	April 2014
Audit Committee Work Programme	Interim Head of Finance	April 2014
Email Outage Risk Report	Interim Head of Finance and Head of ICT and Information Management	June 2014
Monitoring Officer's Annual Report 2013-14	Interim Head of Finance	June 2014
Risk Management Policy and Framework	Interim Head of Finance	June 2014
Risk Management Report (1st Quarter 2014/15)	Interim Head of Finance	June 2014
Risk Management Report, Waste Management Risk Reporting	Interim Head of Finance	June 2014
Norfolk Audit Services Quarterly Report for Quarter ended 31 March 2014.	Interim Head of Finance	June 2014
Annual Internal Audit Report 2013-14	Interim Head of Finance	June 2014
Statement of Accounts 2013-14 – Verbal Update	Interim Head of Finance	June 2014
Anti-Fraud and Corruption Update	Interim Head of Finance	June 2014
Norfolk Pension Fund – Governance Reports relevant to the Audit Committee	Interim Head of Finance	June 2014

Audit Committee Work Programme	Interim Head of Finance	June 2014
Norfolk County Council and Norfolk Pension Fund Audit Results Reports – Audit Committee Summary for the year ended 31 March 2014	Interim Head of Finance / External Auditors	September 2014
Annual Statement of Accounts and Annual Governance Statement 2013-14	Interim Head of Finance	September 2014
Letters of Representation 2013-14	Interim Head of Finance / External Auditors	September 2014
Norfolk Pension Fund Governance Arrangements	Interim Head of Finance	September 2014
Governance, Control and Risk Management of Treasury Management Report	Interim Head of Finance	September 2014
Risk Management Report	Interim Head of Finance	September 2014
Norfolk Audit Services Quarterly Report for the Quarter ended 30 June 2014	Interim Head of Finance	September 2014
Internal Audit Plan 2014-15 for Quarters 3 and 4	Interim Head of Finance	September 2014
Audit Committee Work Programme	Interim Head of Finance	September 2014

Audit Committee

Item No 8

Report title:	Internal Audit Strategy, Approach, Strategic Plan 2015-2018 and Internal Audit Plan for 2015-16
Date of meeting:	29 January 2015
Responsible Chief Officer:	Executive Director of Finance (Interim)
Strategic impact The Audit Committee are required to approve an Internal Audit Plan of work to fulfil the Internal Audit Function as required by the relevant regulations. .	

Executive summary

The Audit Committee are required to approve an Internal Audit Plan of work to fulfil the regulatory function.

Recommendation:

The Audit Committee is recommended to consider and approve the Internal Audit Strategy (Appendix A), the Approach (Appendix B), the Three Year Strategic Audit Planned Days to support the Audit Opinion (Appendix C), the Summary Internal Audit Plan for work supporting the Strategy 2015-16 (Appendix D) and the Detailed Internal Audit Plan for 2015-16 (Appendix E).

1. Proposal (or options)

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

2. Evidence

2.1 Norfolk Audit Services fulfils the internal audit function for the Council as required by the relevant regulations. The Audit Committee are required to approve an Internal Audit Plan of work to fulfil that function.

2.2 This report sets out:

- The Requirements (Section 2.3)
- The Internal Audit Budget (Section 2.9)
- The Internal Audit Strategy (Section 2.15)
- The Internal Audit Approach (Section 2.16)
- The Strategic Audit Planning (Section 2.21)

The Requirements

2.3 In consultation with the Audit Committee Chairman, the Vice Chairman and the Executive Director of Finance (Interim) the top six risk priorities of Norfolk Audit Services activity remain, with some additions (underlined):

- The majority of key NCC management systems are fit for purpose
- That sound financial management, resilience and governance are in place, that there is compliance and where exceptions occur they are identified and treated in a timely manner. This risk is expanded to include where services may not ensure value for money
- The risks associated with transformational change in the organisation are managed. That change objectives (organisational and financial) are met and internal controls and savings are maintained during and after that change
- Anti-Fraud and Corruption work, particularly prevention and detection work (per Fighting Fraud Locally Strategy and the CIPFA Code)
- That assets, physical and information, are secured and controlled effectively, including data quality
- That Commissioning, Procurement and contract management are well governed and achieve value for money.

2.4 The Audit Committee should consider annually,

- the effectiveness of the system of internal audit including internal audit's strategy, plan and performance,
- that those arrangements are compliant with all applicable statutes and regulations, including the Standards and the Local Government Application Note for the Code (LGAN), and any other relevant statements of best practice, and

- the adequacy of the Council's strategic risk management, internal control and governance processes.

2.5 Internal Audit's strategy and planning provides assurance on risk management, internal control and governance which support the Council in achieving its priorities. Internal audit contributes to this by:

- helping to promote a secure and robust internal control environment, including the management and reporting of performance which enables a focus to be maintained on those priorities
- supporting the Council to address the significant governance and control issues that have been identified and reported in some parts of the Council
- recognising the local government environment continues to change and adapt to external drivers, including financial pressures bringing greater risks for the Council to manage
- monitoring the statutory changes to Local Public Audit arrangements
- Ensuring robust and effective Anti-Fraud activity including prevention, detection and investigation continues and the planning makes provision for this.

2.6 The overall planned internal audit days for the Council for 2015-16 are 1,410. These have reduced by 60% from the 2008-09 baselines as a result of planned and managed savings in the Council total resources. The team have achieved significant savings in the actual net cost of the service over that time. There has been a 30% reduction in the internal audit net expenditure since the 2008-09 baselines.

2.7 During 2015-16 and going forward the Council requires:

- a very strong internal audit function that is able to operate in a much wider and strategic way, assisting the organization by helping it put in place a more efficient and effective control, performance and governance environment
- Work on progressing and reporting the resolution of High Priority Internal Audit Findings
- the development of the France Channel England Audit Authority by the internal audit team
- the traded schools service; and
- work to reorganise the team to exploit any potential collaboration or contracting opportunities that may arise.

- 2.8 The Standards set out the requirement for expected professional standards for internal audit in local government and the requirement for a risk based internal audit plan.

The Internal Audit Budget 2015-16

- 2.9 Our approach continues with a plan based on maintaining a previously reduced number of audit days whilst maintaining an effective internal audit in compliance with the legislation and relevant standards. There has been a 30% reduction in the internal audit net budget (in actual terms) since the 2008-09 baseline. A breakdown of how this reduction has been achieved has been included as Figure 1 below.

Figure 1 – NCC Internal Audit Plan Reductions 2008-14

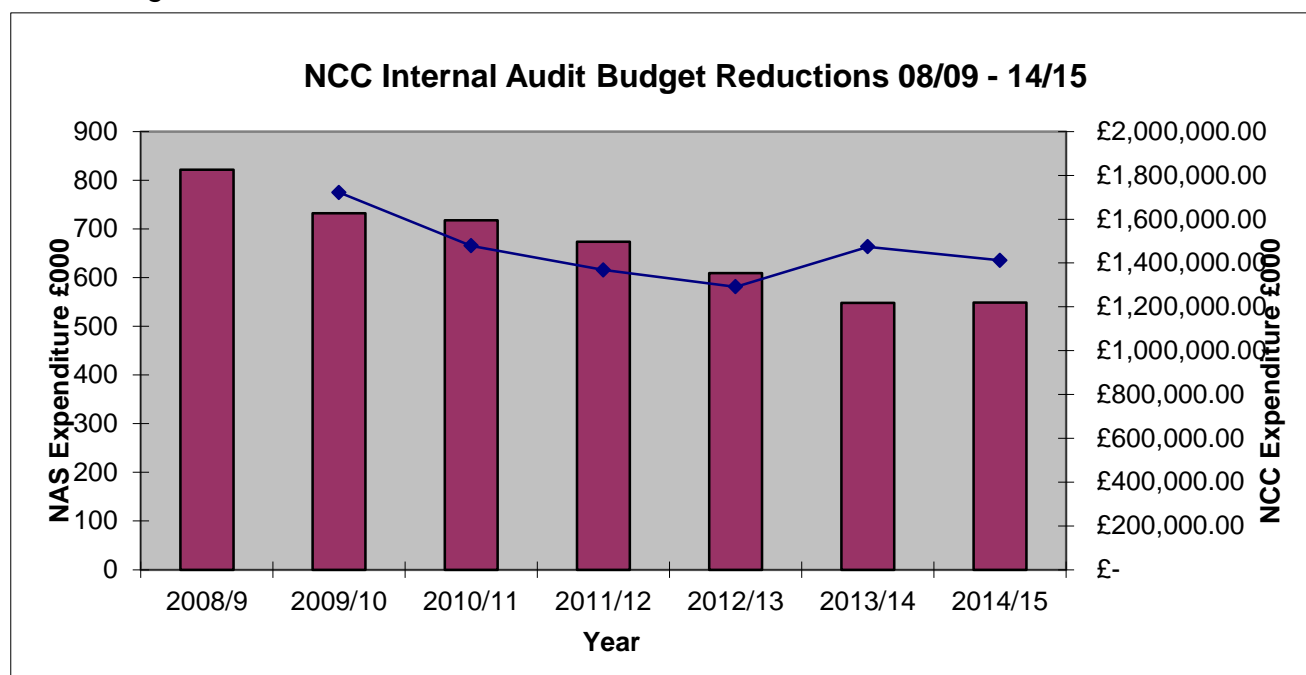


Figure1: Internal audit net expenditure 2008/09 to 2013/14. The right hand axis shows the gross expenditure for NCC. This is shown as a blue line on the graph.

- 2.10 Throughout the budget reduction process, an adequate and effective internal audit function has been maintained, as per the requirements of the Accounts and Audit Regulations 2011 and providing the necessary assurance to Members and the external auditors.
- 2.11 It is our current assessment that the review of all internal processes has delivered all the anticipated reductions in audit days. The generation of additional income may further reduce the net costs in the internal audit budget. Given the background described at point 2.6 above, no additional reductions in coverage can be generated, without compromising quality or coverage of audit risks to the organisation.
- 2.12 Following a sustained series of reductions (see Figure 1 above) the expenditure over the next three years is planned to remain relatively static at 2013-14 levels.

2.13 The key points to note are,

- The structure of the team is continuing to change. We have further reduced the number of qualified principal client managers and will replace that with a lower graded but qualified manager.
- The three year strategic internal audit plan – the rationale here continues to ensure that Internal Audit takes a wider strategic view of risk and to ensure that audit effort is utilised as efficiently and effectively as possible to mitigate risk in a changing environment.

2.14 The budget plan reflects an unchanged resource requirement except for the work as European Union Audit Authority for the France-Chanel-England (FCE) programme where the cost of the additional resource will be offset by EC income. The involvement of NCC as a Managing Authority for the programme was endorsed by Cabinet on 10 June 2013, as supported by a report highlighting the risks and benefits of such an initiative. The involvement of NAS as an Audit Authority will not only support the successful overall management of the programme but also generate an income for Norfolk Audit Services, some of which will cover existing staffing costs, where existing members of staff are redeployed to the project.

The Internal Audit Strategy

2.15 Attached as **Appendix A** is the proposed Internal Audit Strategy. This Strategy now includes a greater reference to the nature of work required to be carried out by the Standards. The Strategy remains as reported in 2014-15 (with a few minor edits as underlined for reference) and explains what Internal Audit does.

The Internal Audit Approach

2.16 The Internal Audit Approach translates the strategy into planned work. The audit days to support the strategy for 2015-16, of 1,410 days is considered sufficient to support an opinion on the Council's control environment, taking into account the Council's Risk Management, performance management and other assurance procedures. This follows a trend in significant resource reduction being managed since 2008-09. The approach is set out in **Appendix B**. That document explains how and why the function operates describing, the regulatory requirements, Financial and Organisational Changes, the approach to the planning for 2015-16, the scoping of the 2015-16 plans and conclusions for information. The document covers the following:

- Regulatory Requirements
- Financial and Organisational Changes
- Approach to the Audit Plan 2015-16
- Scoping for 2015-16
- Conclusions

- 2.17 The audit function aims to provide sound, timely advice that is fair and flexible. To assist the team to share and identify with this vision we have applied the mnemonic 'STAFF' to promote this approach.

The Strategic Audit Planning

- 2.18 The Strategic Plan Days for 2015-18 (**Appendix C**) to deliver the work to support the audit opinion has been devised following a risk based approach using the following.

- concerns from Members
- The new Council Structure, approved by Council on [20 October 2014](#)
- the Corporate Risk Register,
- departmental Risk Registers,
- engagement with senior officers,
- review of the External Audit and Inspections reports,
- a review of corporate strategies,
- cumulative audit knowledge and experience,
- engagement with other Heads of Audit and
- professional judgement on the risk of fraud and error.

- 2.19 The Strategic Plan is designed to inform this process for providing relevant assurance opinions on systems either in place or developing and providing directional assessments regarding actions required to implement any of the necessary improvements. Due to the high level of attrition in the 2014-15 Internal Audit Plan, mostly due to the impact of on-going organisational change, the days proposed for supporting the Annual Audit Opinion in 2015-16 are 1,301 shown in Figure 2 below. This exceeds the calculated available audit resource (of 1,242) but audits will be undertaken on a risk based prioritisation as described in the plan below.

Figure2. Audit Days - Key Numbers 2015-15

Source:	Days
Audit Team Delivery to NCC Total (Appendix D)	1,410
Audit Team Delivery allocation for audit opinion (Appendix D)	1,242
Proposed Audit Plan for Audit Opinion (Appendix C and E)	1,301

The Internal Audit Plan for 2015-16

- 2.20 The authority's own audit days available for 2015-16 are calculated at 1,410 days (1,368 in 2014-15), which is considered sufficient to allow the Chief Internal Auditor to form an opinion on the authorities control environment, taking into account the authorities' risk management, performance management and other assurance procedures. This follows a trend in significant resource reduction being managed since 2008-09.

2.21 Using the above sources of information, the Annual Internal Audit Plan for 2015-16 (**Appendix D**) has been drafted to balance the following:

- the requirement to give an independent, objective and evidence based opinion on all aspects of governance, risk management and internal control.
- the requirement for External Audit to place reliance on internal audits of the key financial systems for their annual opinion on the financial statements,
- identified control and governance issues,
- the requirement to inform and support the production of the Annual Governance Statement for the Council,
- best practice is that Internal Audit adds value through improving controls and streamlining processes. The work should have a balance of breadth and depth of scope
- the allocation of time required for responding to queries on control issues,
- the allocation of time required for responding to fraud queries and
- the resource and skill mix available to undertake the work.

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

2.23 As a result of these on-going changes the audit plan will continue to be constantly revisited during the year and any necessary adjustments made to reflect the changing environment. Chief Officers, senior managers and Members will all have a role to play in this and it is my intention to ensure that regular scheduled meetings take place to discuss these developments, any emerging risks identified as a result of this and any required changes to the plan resulting.

2.24 The Annual Internal Audit Plan for 2015-16 is presented at Appendix F and is prepared in accordance with the relevant standards, the requirements, our proposed budget, our strategy, approach and strategic planning.

3. Financial Implications

- 3.1. The expenditure falls within the parameters of the Annual Budget agreed by the Council.
- 3.2. The three year costing for internal audit remains unchanged, subject to any savings that the Committee may agree in year, no further savings are proposed for 2015-16 beyond staffing savings due to the retirement of two staff during 2014-15. The overall resourcing levels remain unchanged.

We will actively maintain traded services and pursue new opportunities when they arise.

- 3.3. There is a contribution to the fixed costs from the France Channel England Programme Technical Assistance however this is less than anticipated in 2015-16.

4. Issues, risks and innovation

4.1. Issues

Our audit planning is now aligned to the new Council structure approved by Council on [20 October 2014](#). The priorities for the Service Departments, for Resources and Finance are set out clearly in that report and inform our own planning to support those priorities and objectives.

As part of the new Finance Department from December 2014 the Internal Audit planning will reflect any organisational and functional changes as they develop.

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

4.2. Risk implications

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

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

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

4.3. Resource Implications

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

4.4. Legal Implications

Internal audit work should fulfil the requirement for an internal audit function as described in the Accounts and Audit Regulations 2012, namely “A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.”

4.5. There are no implications with respect to:

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

4.6. **Innovation**

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

Examples of such innovation include contracting PwC to undertake complex ICT auditing, contracting Lafarge Tarmac to undertake Health and Safety auditing and the development of ‘Critical Thinking’ in our audits.

5. Background

- 5.1. The Council is required under the Accounts and Audit Regulations (England) 2011 to make provision for internal audit in accordance with “proper practices in relation to internal control”. CIPFA, in collaboration with the Chartered Institute of Internal Auditors (CIIA) have produced the UK Public Sector Internal Audit Standards (the Standards) which came into force on 1 April 2013 and replaced the CIPFA Code of Practice. CIPFA, in collaboration with the CIIA, also published in April 2013 the Local Authority Guidance Note (LAGN) for the Standards.
- 5.2. Under section 17 of the Crime and Disorder Act (1998), the Council has a statutory general duty to take account of the crime and disorder implications of all its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.
- 5.3. Internal Audit helps this by aiming to deter crime, to increase the likelihood of detection through making crime difficult, to increase the risk of detection and prosecution and to reduce the rewards from crime.
- 5.4. Internal Audit’s planning has been designed in order to cover higher risk areas, including where weaknesses in controls might increase the risk of theft, fraud or corruption. An action plan is agreed for any weaknesses that are identified during audits, including any which might increase the risk of theft, fraud or corruption. Consideration has been given to the present economic conditions and the Anti-Fraud and Corruption plan and resources are considered adequate.

1. Background papers

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

Officer Contact

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

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

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

INTERNAL AUDIT STRATEGY

The Internal Audit Strategy was last approved at the January 2014 Audit Committee meeting. Changes made have been underlined for ease of reference.

1. Introduction

1.1 This strategy ensures compliance with relevant Public Sector Internal Audit Standards (UKPSIAS 2014). The Internal Audit Strategy for 2015-16, effective from this Committee's approval, focuses on the delivery of the assurance (opinion) and the internal audit plan to support this opinion. This strategy reflects Internal Audit's contribution to the Council's Core Priorities in the wake of the Government's Comprehensive Spending Review in October 2010 and fully supports the Council's ambitions as set out in the report to Council on 20 October 2014.

1.2 The mission of the Internal Audit Team is to provide value for all our stakeholders. There are three ways that we achieve this by providing:

- Assurance,
- Objectivity; and
- Insight.

1.3 The assurance is provided through three elements:

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

1.4 Our objectivity is provided by our:

- Integrity,
- Accountability; and
- Independence.

1.5 The insight we deliver is through our:

- Analysis and 'Critical Thinking',
- Assessment; and
- Action plans and High priority Findings reporting.

2. Nature of Work

2.1 The Public Sector Internal Audit Standards (UKPSIAS) state the internal audit activity must evaluate and contribute to the improvement of

governance, risk arrangement and control processes using a systematic and disciplined approach. The main requirements are stated below.

- **Governance**

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

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

We are also required to:

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

- **Risk Management**

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

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

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

- Achievement of the organisation's strategic objectives
- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations and programmes
- Safeguarding of assets
- Compliance with laws, regulations, policies, procedures and contracts.

- **Control**

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

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

- 3.1 We aim to deliver the right work, of the right quality, to the right people at the right time and for the right price. There are some overarching strategies to support the delivery of all our services. These are stated below.
- 3.2 **To support and promote the Council's vision, ambitions, value and objectives in all we do, whilst considering changes resulting from the Organisational Review reported to Council on [20 October 2014](#).**
- Our strategy is to ensure that our delivery of all our services has been influenced by and positively contributes to these developments together with the growing need for wider ranging assurances in all aspects of the Council's operations. We will consider and review the impact of these changes on the Council's Governance, internal control and risks. We will also review the impact of the changes to the efficiency and effectiveness of teams to deliver their services.
 - As part of this we aim over the next 3 years to continue to fulfil the financial savings required of the team, the audit delivery targets and the various changes to our processes that are planned or already in progress.
 - We aim to exercise our professional judgement in giving assurance, which points to the future capability of the system of risk management and internal control to help deliver success.
 - **Our success is measured through review of the outcomes from audits and the difference we make as reported in the Chief Internal Auditor's Annual Internal Audit Report and the reporting of High priority Findings.**
- 3.3 **To plan, organise and control the delivery of all our services to professional standards (UKPSIAS). Delivering sound and timely advice that is fair and flexible.**
- We work to add value through providing reliable objective assurance and insight on the effectiveness and efficiency of governance, risk management and internal control processes. We aim to challenge and inspire colleagues to improve.
 - We aim to create and communicate high quality information about the effective operation of management's controls over risks.
 - Our annual audit planning ensures the key areas required by UK PSIAS are included and these are matched to our resources in consultation with the Head of Finance, Chief Officers and Members before approval by the Audit Committee.
 - Changes to the approved Internal Audit Plan are also agreed as above and notified to the Audit Committee throughout the year.
 - We use our combined experience and knowledge to provide helpful and practical insight and recommendations. We are a catalyst for improving the Council's effectiveness and efficiency based on analysis and assessments of data and business processes.

- The team has a comprehensive set of procedures and templates that are regularly reviewed and approved to ensure a consistent approach to our work.
- Audit work is reviewed to ensure that it is sound, meaning, evidenced based, independent, technically compliant, risk based, timely, has impact and is efficient. We deliver all our services in compliance with the UKPSIAS. We employ quality controls, quality monitoring and quality reviews of our work. Our Internal Audit Terms of Reference, Code of Ethics and this Strategy meets the UKPSIAS.
- We identify audit resources (staff or contractors) with the appropriate skills to deliver the audit service, which meets required professional standards. We are committed to integrity, accountability and high customer care standards. This can involve the use of internal and/or external resources.
- All members of the team above the Senior Auditor level are professionally qualified. All Auditors and Senior Auditors are required to be Association of Accounting Technicians (AAT) or part IIA or CAAB qualified. We provide assistance with training and continuing professional development appropriately for all members of the team.
- The Authority and the audit team subscribe to professional support forums.
- The Chief Internal Auditor is a member of the County Chief Internal Auditor Network (CCAN), the Home Counties Chief Internal Auditor Group (HCCIAG) and the Norfolk Chief Internal Auditor Group in order to utilise the peer support that these groups provide.
- We have a Quality Assurance Improvement Plan (QAIP) as required by the Standard.

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

3.4 To fulfil our Terms of Reference.

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

Our success is measured through the review of the outcomes from audits and the difference we make as reported in the Chief Internal Auditor's Annual Internal Audit Report. Progress with dealing with high priority findings are reported monthly to COG to ensure controls are strengthened in a timely manner.

3.5 To comply at all times with our Code of Ethics.

Our strategy fully meets and supports the requirements of our Code of Ethics which has been approved by the Audit Committee

Our success is measured through the review of the outcomes from audits and the difference we make as reported in the Chief Internal Auditor's Annual Internal Audit Report.

3.6 To raise the profile of Internal Audit.

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

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

Our success is measured through the feedback both formally and informally and requests for additional or ad hoc audit work and advice from our "auditees", the Executive Director of Finance (Interim), Chief Officers and the Audit Committee.

3.7 To add value in our work and to contribute to ensuring Value for Money for the Council

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

Our work

- Aims to bring [Critical Thinking](#) to our audit approach
- is designed to help in the promotion of continuous performance and internal control improvement through the issue of reports containing recommendations and action plans,
- helps to ensure that the Council delivers its Plan,
- supports effective Financial Management,
- helps to prevent fraud and corruption, assists in the safeguarding of assets and includes to undertake investigations where requested to do so by Chief Officers,
- generally acts as a deterrent against fraud and corruption and
- includes participation in benchmarking to measure our performance and value for money against peer organisations.

Our success is measured through the review of the outcomes from audits and the difference we make as reported in the Chief Internal Auditor's Annual Internal Audit Report.

3.8 To manage Internal Audit resource

- Our approach is to continuously review our financial budget and any required savings to ensure that we remain in control and that there are no overspends. We take every opportunity to minimise our spend whilst maintaining or improving our service.
- We plan, record and monitor the time spent on all audit activities (audit and non-audit) to manage our staffing resources efficiently and economically.
- Our success in managing our resources will be measured against those targets set for Finance as a whole
- Our approach to additional non-statutory work is generally to accept such work on the basis of full cost recovery with the proviso that such work is not excessive. Such an approach therefore allows us to recover some of our overheads.

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

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

Service	Particular Audit strategy for delivery/Measures of Success
Reporting to the Audit Committee, quarterly and annually.	Production and delivery of reports to a professional standard. Attendance at all meetings by the appropriate officers.
Reporting to the Norfolk Joint Museums and Archaeology Committee.	Production and delivery of reports to a professional standard. Attendance at meetings by the appropriate officers.
Facilitation of the delivery of the Annual Governance Statements to the Audit Committee and the Joint Committees.	Manage the process for the delivery of the Annual Governance Statement in particular ensuring adequate and timely consultation with appropriate senior officers and members.
Provision of assurance to the Executive Director of Finance (Interim), the Section 151 Officer, with respect to the systems of governance/internal control and risk management throughout the authority and the Joint Committees.	Consider all aspects of governance, internal control and risk management throughout the authority or joint committee and arrive at a reasoned opinion. Report this to the Executive Director of Finance (Interim) and the appropriate committees.

Undertaking audit work to support the opinion; this work produces draft and final reports which include recommendations for improvements in internal controls and an action plan This work also includes a deterrence element generally and “managed audit work” for the External Auditor with respect to key systems.	<p>In each audit carried out:</p> <p>Our audit findings are categorised into high, medium and low priority</p> <p>Action plans are agreed with management to mitigate risks for medium and high priority findings</p> <p>Any findings of low priority are reported on as discussion points within audit reports</p> <p>We assess the findings to form an overall opinion of ‘Acceptable’ or ‘Key issues that need to be addressed’.</p> <p>All opinions are moderated by an Audit Opinion Group.</p> <p>We assess the corporate significance of the audit</p>
Provision of advice and assistance with respect to Internal Control to Chief Officers and other Senior Officers.	<p>Our annual resource plan provide for general liaison with Chief Officers and other Senior Officers particularly in the formulation of the audit plan.</p> <p>We provide advice on new systems and answers queries in respect of internal control.</p>
Provision of advice and assistance with respect to Anti Fraud and Corruption particularly to the Head of Law.	<p>We review, with the Head of Law, the Anti Fraud and Corruption Strategy on an annual basis and update it as necessary. The Strategy was last updated in January 2014.</p> <p>A performance report with respect to Anti Fraud and Corruption is made to the Audit Committee half-yearly.</p>

Provision of an Internal Audit Service to Schools.	The strategy for auditing schools from April 2012 has been agreed with the Audit Committee and is incorporated into the 2015-16 audit plan Our proposals for marketing internal audit services to maintained schools and academies were included in a report to the January 2012 Audit Committee.
Provision to undertake investigations where requested to do so by Chief Officers <u>or the Audit Committee Chairman</u> .	To deliver professional and objective evidence based reports to assist with effective and efficient disciplinary or criminal proceedings.
Provision of an Internal Audit Service to the Norfolk Pension Fund.	We provide an internal audit service to the Norfolk Pension Fund on a risk assessed basis. We provide these services on a full cost recovery basis which enables us to absorb the cost of some of our senior management and other overheads.
Provision of advice and assistance to the Eastern Inshore Fisheries and Conservation Authority.	Provision of advice and assistance with respect to the Annual Governance Statements and other internal control issues. We provide this service on a full cost recovery basis which enables us to absorb the cost of some of our senior management and other overheads.
Undertaking Grant Certification work particularly with respect to EU grants.	We provide this service on the required charges basis which enables us to absorb the cost of some of our senior management and other overheads.
Setting up and delivering the Audit Authority function for the France-Chanel-England INTERREG 5a programme	This work supports the Council's operation of the Managing Authority and Certifying Authority giving assurance on their controls and is externally funded.

3.10 Reporting the success of the strategy

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

INTERNAL AUDIT APPROACH

1 Background

- 1.1 The Approach set out in this appendix translates the Internal Audit Strategy into the planned work and aligns budget and workforce planning, explaining how and why Internal Audit operates. The Audit Committee approved an Internal Audit Strategy at its meeting in January 2014 and the Strategy for 2015-16 is set out in Appendix B to this report, explaining what Internal Audit does. Consideration is given in this document to both regulatory and standard requirements and the financial and organisational changes taking place within the Council.
- 1.2 The UK Public Sector Internal Audit Standard (the Standard) came into force on 1st April 2013 and CIPFA's guidance the LAGN on the Standard was also published in April 2013. This Standard and the Guidance replace the CIPFA Code of Practice for Internal Audit.

Regulatory Requirements

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

Financial and organisational changes

- 1.3 Following a review of the Internal Audit function in the spring of 2010, the approach taken to Internal Audit work, the resources and our methodology have been reviewed and strengthened to ensure 'Better ways of Working' are adopted to ensure adequate and effective audit coverage, albeit within a reduced internal audit resources.

- The Council continues to face significant organisational and financial challenges in 2015 -16 and beyond. The changes that the Council has made and those that are planned are fully considered in our internal audit planning approach. The Government has made it clear that the level of spending reductions over the next few years is expected to continue beyond 2015-16.
- 1.4 The minimum coverage required for internal audit comprises both the 'Managed Audit' work, to support our external auditor, as well as the other internal work needed to comply with the Accounts and Audit (England) Regulations 2011 and to form an opinion with respect to the system of internal control and risk management.
- 1.5 This annual plan will be flexible to cope with the inevitable changes that are required throughout the year, with such changes being reported to the Audit Committee in the Chief Internal Auditor's quarterly reports with a formal review at the half year. However the Audit Plan 2015 -16 will cover the full year, with the Audit Committee being made fully aware of any changes at the quarterly committee meetings.

2 Approach to the Audit Plan for 2015-16

- 2.1 The Internal Audit Team has continually reduced its workforce and headline audit days as illustrated in **Table 1** below. The team has also restructured its management accordingly over the past few years reducing the overall unit costs. A Principal Client Manager post and a Client Manager have been deleted. The roles of Principal Client Managers, Client Managers and Senior Auditors to support their managers have increased and the Audit Assistant and Apprentice Auditor roles have been developed. Graduate placements are being developed under the council's "Get Britain Working " scheme. Plans to continue the reduction in resource continue with the objective that unit costs are minimised while coverage and quality are maintained.

Table 1: Internal Audit Plan Reductions 2008-09 to 2015-16

Year	Net Budget (Planned)	Net Expenditure (Actual)	Notes
2008-09	£765k	£822k	Base year (excludes external client days)
2009-10	£774k	£732k	Reduction mainly managed through the reorganisation and contracting out of ICT and Health and Safety work.
2010-11	£774k	£718k	Reduction achieved through the introduction of risk based internal auditing.
2011-12	£756k	£674k	Reduction achieved through Business process Reengineering of our schools

			audits methodology and reporting and strengthening of risk based auditing aligned with management of vacancies and increased chargeable grant work.
2012-13	£704k	£609k	Reduction through continued use of Risk Based Internal Auditing i.e. lower days per audit assignment and empowering of audit staff.
2013-14	£672k	£548k	Current forecast for the actual outturn budget. Reduction achieved through targeting audits to key risk areas in the new organisational operating model and the management of vacancies.
2014-15	£549	£549k	Stable budget - Overall reduction of £274k from base year in actual terms (33%)
2015-16	£549		No change.

2.2 The key messages in this approach are:

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

2.3 The Annual Internal Audit plan is kept under review through regular assessment by the Chief Internal Auditor, including assessing performance with delivery, and amended as appropriate to reflect changing priorities and emerging risks which are report to the Audit Committee.

3 Scoping for 2015-16

The total requirement for the full services we deliver, are presented in our Internal Audit Strategy (a separate report to this Committee). The Chairman and Vice Chairman of the Audit Committee will be consulted with respect to proposed changes during the year.

3.1 With our existing audit team, a mix of permanent and temporary staff, and reduced specialist contractor audit days, we propose that there should be **1,410** delivered days (1,368 equivalent days in 2014 -15) available.

3.2 The audit plan will be based on an audit universe of both essential and desirable audits. These are risk assessed in consultation with Chief Officers. Essential audits will be defined as those with the highest risk and the detailed plan developed to match the resources available. It is expected that only audits deemed 'essential' will be included in the plan. The work to support the provision of the opinion to the Executive Director of Finance (Interim) contains:

- Discretionary audits agreed with Chief Officers
- Managed audit work for external auditors; and

- Schools audit work
 - Specialist ICT and Health and Safety work.
- 3.3 The managed audit work to support the external auditor's assurance is fixed in nature and timing. We are consulting our new external auditor to confirm their requirements for assurance work from us.
- 3.4 We will continue to engage specialist auditors for complex and highly technical audits within the cash limited budget (2014-15 £21,000). These are currently identified as ICT and Health and Safety. Regarding ICT following a mini competition exercise we will continue for up to a further five years with PWC. For Health and Safety we have used Mouchel through the strategic partnership agreement and this arrangement will continue through 2015-16.
- 3.5 Benchmarking is difficult in times where there are significant changes taking place. The audit resources are however still considered to be comparable and reasonable for the size of the authority. On an annual basis using CIPFA guidance, relevant data is benchmarked against the "most similar authorities" within the UK to ensure the comparison is meaningful. Data benchmarked includes auditor qualifications, chargeable audit days and cost per auditor. The CIPFA questionnaire is completed after data is compiled and after a detailed analysis the department can assess how efficient and cost effective it is against other similar authorities.
- 3.6 We continue to develop customer care and as part of this we ensure that our quality control and assurance procedures are met and are reviewed and updated as necessary.
- 3.7 The Audit Committee promote the value and quality of the systems of internal audit and support the Executive Director of Finance (Interim) in maintaining appropriate resources and direction of the audit work. The Chairman's Half Yearly report explains how this is achieved.
- 3.8 The proposed 2015-16 Internal Audit Plan is presented at **Appendix E**.

4 Conclusions

- 4.1 There are requirements for an adequate and effective internal audit function to meet statutory, best practice and aspirational requirements, including the external auditor's value for money opinion.
- 4.2 The Internal Audit Approach translates the strategy into planned work. The audit days to support the strategy for 2015-16, of 1,410 days is considered sufficient to support an opinion on the Council's control environment, taking into account the Council's Risk Management, performance management and other assurance procedures. This follows a trend in significant resource reduction being managed since 2008-09.
- 4.3 Changes may be necessary to reflect the audit needs for the developing change programme and Business Process Re-engineering or unplanned

due, for example, to unexpected changes in key staff, who manage key risks.

- 4.4 We will continue to seek and promote greater value for money in our audit delivery while maintaining sufficient coverage and quality standards.
- 4.5 The Audit Committee have a key role in promoting the value and quality of the systems of internal audit and in supporting the Executive Director of Finance (Interim) in maintaining appropriate resources and direction of the audit work.

5 Resource Implications

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

Appendix C

Internal Audit 3 year Planned days 2015/16 to 2017/18 - Supporting the Audit Opinion

Assurance area	2015/16 Audit Days	2016/17 Audit Days	2017/18 Audit Days	2015-16	
				Direct Services	Support Services
					0
Total Finance	295	240	240		295
Asset Management	75	60	60		
Finance	220	180	180		
Total Resources	515	485	485		515
Procurement & Contracts	140	160	160		
ICT	30	40	40		
Health & Safety	20	20	20		
Information Management	55	45	45		
Governance	200	140	140		
Resources	70	80	80		
Adult Social Services	110	80	80	110	
Total Communities & Environment	127	130	130	127	
ETD	112	90	90		
Cultural Services	15	15	15		
Fire	0	25	25		
Children's Services	118	105	105	118	
Schools	100	100	100	100	
High Priority Findings	36	36	36		36
Contingency	0	24	24		0
Total Audit Days (See Appendix E)	1301	1200	1200	455	846
NB:- Available days NAS resource model	1,242				

Proposed Delivery of Internal Audit Strategy for 2015-16

Element of Strategy	Proposed Quarter 1 and 2	Proposed Quarter 3 and 4	Total Proposed Audit Days for 15-16
Reporting to the Audit Committee, quarterly and annually	20	20	40
Reporting to the Joint Committees (Norfolk Records Committee, Norfolk Joint Museums and Archaeology Committee) annually	3	0	3
Facilitation of the delivery of the Annual Governance Statements to the Audit Committee and the Joint Committees	0	5	5
Provision of assurance to the Executive Director of Finance (Interim) (Section 151 Officer) with respect to the systems of governance/internal control and risk management throughout the authority and the Joint Committees	5	5	10
Undertaking audit work to support the internal audit opinion (Appendix E)**	600	642	1,242
Provision of advice and assistance with respect to Internal Control to Chief Officers and other Senior Officers	25	25	50
Provision of advice and assistance with respect to Anti Fraud and Corruption particularly to the Head of Law	30	30	60
Provision to undertake investigations	0	0	0
*Provision of chargeable Internal Audit Service to Schools			10
*Provision of an Internal Audit Service to Norfolk Pension Fund	30	50	80
*Provision of advice and assistance to the Eastern Sea Fisheries Joint Committee/EIFCA		8	8
*Undertaking Grant Certification work particularly with respect to EU grants (25 days non chargeable)	66	60	126
*Setting up and delivering the Audit Authority Function to the FCE programme			160
Gross Total	779	845	1,794
*Less Delivered to external Clients			384
Total to be Delivered to NCC			1,410

**Plus £20,000/ 40 days of contractor time prorata

Norfolk Audit Services
Internal Audit Plan 2015-16

Appendix E

Assurance area and audit topic	Allocated days	Brief description of the audit scope and purpose	(E)ssential/(D)esirable/(F)unded by the Department	Q1 and Q2	Q3 and Q4
Subjective		Objective			

Resources

Corporate Resources

Completion of 2014-15 Audit Plan	5			Y	
Pensions Reform (payroll)	15	Assurance on new regulations coming into force during 2015. Quality Assurance Controls			Y
Reducing Private Car Use for Business Mileage	15	Assurance over the target setting and monitoring process, over the quality of data used for monitoring performance. Checking how we obtained the required data and manage their contribution to NCC's objectives. Delivery of Savings	E	Y	
Contingency	15	Contingency	E	Y	
ICT Resilience/Support (to cover payroll)	15	Assurance on the capability of ICT to provide operation systems support and maintenance. Shared Services	E	Y	
Performance Management (Staff and contractors) including Temp Staff, Absence, Mobile Working	30	Assurance that performance management of staff across the authority is effective and consistently applied. Appraisals, talent Management, delegation, remote & flexible working, Incentivisation. Quality Assurance	E	Y	
Total	95				

Corporate Governance

Project Management/ Change Management/ Transformation Programme/ Enterprising Norfolk Strategic Planning	25	Watching Brief with audit scope to be agreed in year. Organisational Change.	E		Y
	15	Assurance there is a golden thread between the comprehensive NCC plan and departments plans. Quality Assurance	E		Y
Performance Management	15	Assurance that the key elements in the comprehensive NCC plan have effective performance measures in place. Delivery & Savings.	E	Y	
Equality Act	15	Assurance the Equality Act is being complied with, in respect of staff and service users. Quality Assurance	E	Y	

Risk Management	15 Assurance on the effectiveness of the risk management process, including themes and impact and the communication of identified risks and controls to all relevant staff. Risk	E		Y
Business Intelligence & Service Delivery Modelling	30 Assurance on the extent data is being turned into information, benchmarking & impact, and how this used for purposeful planning, service delivery, improvements and strategic direction. Assurance on the effectiveness and consistency of modelling to determine future service delivery needs. Including benchmarking, impact, shared services. Data Quality	E		Y
Procurement Exemptions	15 Assurance over compliance with legal requirements. Procurement Controls	E		Y
Review of effectiveness of the system of internal controls	15 Annual review of the effectiveness of the system of internal control in the authority, including compliance checks against UK PSIAS. Quality Assurance.	E	Y	
Control Self Assessments	15 Guidance to Chief Officers about the use of self assessment in providing assurance about the adequacy of the controls in the areas they are responsible. Quality Assurance	E	Y	
Public Health	15 Audit Scope to be confirmed in year.	D		Y
Compliments and Complaints	15 Assurance on a robust, transparent and consistent approach to complaint investigation. Quality Assurance	D		Y
Total	190			

Procurement and Contracts

Procurement

Contract Standing Orders Compliance (Excluding Tendering)	15 Assurance that NCC systems and controls are in place and operating effectively. (Excluding Tendering) Procurement Controls.	E		Y
Building Works Procurement (non-NPS)	15 Assurance that NCC systems and controls are in place and operating effectively. Procurement Controls.	E	Y	
Tendering Compliance	15 Assurance that NCC systems and controls are in place and operating effectively. Procurement Controls.	E		Y
Public Procurement Regulation Changes 2015	15 Assurance that new regulations have been understood and implemented correctly. Procurement Controls.			Y

Contract

Contract Audit - County Hall	15 Assurance that the County Hall project is on target to be completed within timescales and budget and to specification. Procurement Controls.	E		Y
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Contract Audit - Public Health	15 Assurance that new contracts meet CSO and the supplies and services that are contracted for are received as specified. Procurement Controls.	E	Y
Contract Audit on Building Work For Schools	15 Assurance that school building contracts are managed and governed in accordance with CSO and NSFS. Procurement Controls.	E	Y
Contract Audit/Monitoring Children's Services	15 Assurance that NCC systems and controls are in place and operating effectively in the Department. Procurement Controls	E	Y
Completion of 2014-15 audits	5 Assurance that NCC systems and controls are in place and operating effectively.	E	Y
Area total	125		
Information Management			
Records Management and Data Protection	20 Assurance that systems and controls are in place and operating effectively. Records Management	E	Y
Data and Information Quality	20 Assurance that systems and controls are in place and operating effectively. Data Quality.	E	Y
Payment Card Industry Compliance	15 Assurance that systems and controls are in place and operating effectively. Quality Assurance	E	Y
Area total	55		
ICT			
Cloud Computing	10 Assurance that systems and controls are in place and working effectively. Quality Assurance	E	Y
DNA - Watching Brief - first 6 months	5 Delivered with in-house resources. To review the governance arrangement to support the successful delivery of the DNA project. Quality Assurance	E	Y
DNA - Watching Brief - last 6 months	5 Delivered with in-house resources. To review the governance arrangement to support the successful delivery of the DNA project. Quality Assurance	E	Y
Software Licencing, including virtual licences	10 Assurance that systems and controls are in place and working effectively. Quality Assurance	E	Y
Area total	30		
Health and Safety			
Lone Working	10 Assurance that systems and controls are in place and working effectively. Quality Assurance	E	Y
Children's Services Educational Visits	10 Assurance that systems and controls are in place and working effectively. Quality Assurance	E	Y
Area total	20		
Area Total Resources	515		

Finance

Core Financial Systems

Completion of 2014-15 audits

Accounts Payable Non i-Proc

Capital Budget Monitoring

Accounts Receivable -
Computer System

Payroll - Interims and
Consultants

Direct Payments and Personal
Budgets

Budget Setting

Budget Monitoring and
delivery of savings

Supporting the AGS

Compliance with relevant
Cipfa Codes

Departmental recharges -
Knowing your costs for full
cost recovery

Trading Framework

HR Processes & Costs

Transparency NORSE
charges

TPA teachers pensions
agency

Anti Fraud analytical work

Total **220**

0			
15	Assurance on key process controls . To include risks from any Retrospective Ordering. Procurement Controls	E	Y
10	Obtaining assurance over the controls in place over programmes and schools planning issues delaying Capital Expenditure. Budget Monitoring	E	Y
15	Assurance on computer controls over the billing process . PwC to carry out (as per previous Accounts Payable audit) using specialist software. Quality Assurance.	E	Y
15	Assurance on standard payment rate controls, Accomodation rates, inclusive payments and profit. Organisational Change.	E	Y
15	Supporting the work of the external auditors - Looking at 14-15 transactions. Quality Assurance	E	Y
15	Assurance on how budgets are put together and assurance on whether they are based on sufficient data. Budget Management	E	Y
20	Adequacy and effectiveness of budget monitoring and delivery of savings. Budget Management	E	Y
15	Assurance on the material financial system to help support the external auditors. 2014-15 transactions to be looked at. Quality Assurance	E	Y
5	Assurance on Norfolk Audit Services' compliance with the CIPFA code of Practice. Annually Quality Assurance	E	Y
20	Assurance that Budget Managers are fully aware of their own departmental costs to enable full recovery. Business Modelling	E	Y
15	Assurance over NCC's trading framework. Business Modelling	E	Y
15	Assurance over HR processes and costs. Performance Management	E	Y
15	Assurance on accuracy and appropriateness of NORSE recharges to NCC. Budget Management	E	Y
15	Currently required annually by the external auditors. Quality Assurance	E	Y
15	Supports the anti-fraud and corruption strategy and plan	E	Y

Asset Management

Security of Assets - Buildings	25	Assurance on security of buildings weekend and evenings. Also to include new security on 7th and 8th floors. Quality Assurance	E		Y
Property management by NCC	20	Assurance that systems and financial controls are in place to ensure the effective management of the estate. Budget Management	E	Y	
Disposal of Property & Workplace Decant	15	Assurance that adequate systems and controls are in place and operating effectively and the new SLA incorporates adequate terms. Quality Assurance	E		Y
NORA project	15	Review of management of this project. Performance Management	E	Y	
Area total	75				
AreaTotal Finance	295				

Community & Environment

ETD

Completion of 2014-15 audits	2				
CRC Energy Efficiency Scheme	15	Assurance to meet the Carbon Reduction Commitment and the legislative requirements to produce the annual audit letter. Quality Assurance	E	Y	
Economic Development	15	Controlled self-assessments for HIL Quality Assurance	E		Y
Environment	15	Assurance of flood and water management financial controls and systems comply with legislation. Quality Assurance	E	Y	
Waste	15	Assurance on changes in operations at centres. Budget Management	E		Y
Highways	15	Assurance of financial and operational systems and controls to manage highways. Budget Management	E		Y
Trading standards	15	Assurance on the analysis of monitoring data undertaken for prosecutions in the last year Quality Assurance, Data Quality	E		Y
Business Continuity	20	Assurance on the effectiveness of business continuity planning.	E		Y
Total	112				

Cultural Services

Museums	15	Assurance over security of collections. Quality Assurance	E		Y
Total	15				

Area Total Community & Environment

127

Adult Social Services

Completion of 2014-15 audits	0			
Care first (quality of data)	15	Assurance over the quality of data on Care First. Data Quality	E	Y
Quality Assurance Team	20	Assurance on the effectiveness of the work of the quality assurance team and how this supports service delivery improvements. Quality Assurance	E	Y
Direct Payments	20	Assurance over the effectiveness of controls. Quality Assurance	E	Y
Statutory obligations - Care Act 2014	40	Assurance that changes from the Care Act 2014 regulations have been implemented. Quality Assurance	E	Y
Better Care Fund	15	Assurance over the governance arrangements. Quality Assurance	E	Y

Area Total Adult Social Services

110

Children's Services

Schools

High risk schools - first 6 months	22	Individual school audit visits for 4 high risk schools (3 High and 1 Primary) in the first 6 months. Quality Assurance	E	Y
High risk schools - last 6 months	22	Individual school audit visits for 4 high risk schools (3 High and 1 Primary) in the last 6 months. Quality Assurance	E	Y
Thematic School audits	40	Thematic schools audits x2 including SFVS returns and AN other. Quality Assurance	E	Y
Liaison meetings, newsletters, advice - 1st half	8		E	Y
Liaison meetings, newsletters, advice - 2nd half	8			Y
Schools Total	100			

Children's Services operational areas

Completion on 2014-15 audits:	3			
Care first (quality of data)	15	Assurance over the quality of data on Care First. Data Quality	E	Y
Non NCC Children's Homes	15	Assurances over systems and processes in place to monitor service delivery. Budget Management	E	Y

SEND	15	Assurances over the effectiveness of services to support children. Quality Assurance	E	Y
Children and Families Bill	30	Assurances that the key requirements and changes from the Children's and Families Bill are being met. Quality Assurance	E	Y
Schools with concern	20	Assurance over the outcomes of the County Head team, Schools Performance Officer and Schools Finance Team in supporting schools with identified issues. Quality Assurance	E	Y
Business intelligence and management of data	20	Assurance on the extent data is being turned into information and how this used for purposeful planning, service delivery, improvements and strategic direction. Data Quality	E	Y
Children's Services operational areas total	118			

Area Total
Children's Services 218

HPF Follow Up	
First 6 Months	18
Last 6 Months	18
Contingency	0

Total per half-year _____
Total (In-house) days to support opinion 1,301

Audit Committee

Item No 9

Report title:	Review of the Internal Audit Terms of Reference and Code of Ethics
Date of meeting:	29 January 2015
Responsible Chief Officer:	Executive Director of Finance (Interim)
Strategic impact The Audit Committee oversees the Internal Audit Function for the Council to ensure that it meets regulatory requirements and best practice. A key part of that role is to review the Internal Audit Terms of Reference and the Code of Ethics in accordance with the UK Public Sector Internal Audit Standard and the Local Government Application Note.	

Executive summary

This report sets out the relevant Terms of Reference for the Internal Audit Function to meet regulations and best practice.

Recommendation:

The Audit Committee is recommended to consider and approve the amended Internal Audit Terms of Reference set out in Appendix A and the amended Code of Ethics as set out in Appendix B.

1. Proposal (or options)

- 1.1 The Audit Committee is recommended to consider and approve the amended Terms of Reference set out in Appendix A and the amended Code of Ethics as set out in Appendix B.

2. Evidence

- 2.1 The Public Sector Internal Audit Standards (The Standard) requires that the purpose, authority and responsibility of the internal audit activity must be formally defined by the Council in Terms of Reference. It also requires that the Terms of Reference include: independence; relationships and staffing; and training and development. The Standard contains requirements to set minimum standards for the performance and conduct of all internal auditors and includes five main principles; Integrity, Objectivity, Competence, Confidentiality and Professional Behaviour.
- 2.2 Minor changes, as underlined, were made to the Internal Audit Terms of Reference this year as shown at **Appendix A**. The Terms of Reference meet the Standard. (See Background Information)
- 2.3 The current Internal Audit Code of Ethics appears at **Appendix B**. Except for the additional text (underlined) regarding the promotion of moral qualities in the team there are no other changes are considered necessary. This continues to be based on best practice, the CIPFA publication "Ethics and You" (2006) but are compatible with the Standard.

3. Financial Implications

The expenditure on Internal Audit activity falls within the parameters of the Annual Budget agreed by the Council. The scope of the Internal Audit activity covers all of the Council's Revenue and Capital Expenditure the Assets and Liabilities

3. Issues, risks and innovation

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

4.3. There are no implications with respect to:

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

5. Background

- 5.1. The Council is required under the Accounts and Audit Regulations (England) 2011 to make provision for internal audit in accordance with proper practices in relation to the UK Public Sector Internal Audit Standards UK Standard (the Standard). These came into force on 1 April 2013 and replaced the CIPFA Code of Practice.
- 5.2. The Standard broadly requires the same supporting documents as the previous code. Compliance is regularly reviewed and the subject of assessment by the External Auditor.
- 5.3. The Internal Audit Terms of Reference and Code of Ethics were last approved at the January 2014 Audit Committee meeting.
- 5.4. Under section 17 of the Crime and Disorder Act (1998), the Council has a statutory general duty to take account of the crime and disorder implications of all of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.
- 5.5. Internal Audit helps with this by aiming to deter crime, to increase the likelihood of detection through making crime difficult, to increase the risk of detection and prosecution and to reduce the rewards from crime.
- 5.6. Internal Audit's Terms of Reference and Code of Ethics have been drafted in order to cover higher risk areas, including where weaknesses in controls might increase the risk of theft, fraud or corruption. An action plan is agreed for any weaknesses that are identified during audits, including any which might increase the risk of theft, fraud or corruption. Consideration has been given to the present economic downturn and the Anti-Fraud and Corruption plan and resources are considered adequate.
- 5.7. **Background papers**

There were no background papers relevant to this report.

Officer Contact

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

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

Officer Name: Adrian Thompson - Chief Internal Auditor

Tel No: 01603 222784

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



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1 RESPONSIBILITIES AND OBJECTIVES

- 1.1 Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on its control environment comprising risk management, internal control and governance. It achieves this by evaluating the control environment's effectiveness in achieving the organisations objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

2 REPORTING LINES AND RELATIONSHIPS

- 2.1 Internal Audit forms part of the Finance Department. The Chief Internal Auditor reports directly to the Section 151 Officer (Executive Director of Finance (Interim) , who in turn reports to the Managing Director.
- 2.2 The Council has an Audit Committee and the Chief Internal Auditor reports to the Audit Committee on a quarterly and annual basis, through the Executive Director of Finance (Interim). The Chief Internal Auditor's Annual Report includes an 'opinion' on the adequacy and effectiveness of risk management and internal control within the authority.
- 2.3 The Audit Committee is responsible for endorsing the Annual Internal Audit Plan. The quarterly and annual reports from the Chief Internal Auditor show progress against the Plan through a summary of audit work over the period. Quality feedback from questionnaires received from clients following audits is also presented to the Audit Committee.
- 2.4 The Audit Committee Chairman meets separately and privately with the Chief Internal Auditor and with the Council's External Auditor from time to time.

3 INDEPENDENCE AND ACCOUNTABILITY

- 3.1 Internal Audit is independent of the activities that it audits which enables the auditors to perform their duties in a manner which facilitates impartial and effective professional judgements and unbiased recommendations. Internal auditors have no operational responsibilities.

- 3.2 Internal Audit determines its priorities in consultation with the Audit Committee. The Chief Internal Auditor has continual direct access to Council records, officers and reports and the ability to report independently and impartially if required. Accountability for the response to the advice and recommendations of Internal Audit lies with Chief Officers and Heads of Service, who either accept and implement the advice or choose another course of action on a risk assessed basis.

4 STATUTORY ROLE

- 4.1 Internal Audit is a statutory service in the context of the Accounts and Audit Regulations (England) 2011, which state in respect of Internal Audit that:
‘A relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control. Any officer or member of a relevant body must, if the body requires make available such documents and records as appear to that body to be necessary for the purposes of the audit; and supply the body with such information and explanation as that body considers necessary for that purpose. A larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit. The findings of the review referred to in paragraph (3.) must be considered, as part of the consideration of the system of internal control referred to in regulation 4(3), by the committee or body referred to in that paragraph’.
- 4.2 The statutory role is recognised and endorsed within the Council’s Financial Regulations (Appendix 16 of the Constitution), which provide the authority for Internal Audit’s access to officers, members, premises, assets, documents and records and to require information and explanation as necessary. These rights of access also extend to partner organisations.

5 Consultancy or advisory reviews

- 5.1 In addition to formal audit work, Internal Audit perform consultancy or advisory reviews as part of the annual internal audit plan, or on an ad hoc basis when requested by management. All such advisory work will be clearly identified in the Internal audit Plan. Where a significant consultancy or advisory service is required, either within or external to the Council approval will be sought from the Audit Committee. Reports from this type of work contain findings, audit views and recommendations and whilst no formal opinion is given, this work does inform the Chief Internal Auditor’s overall opinion on the adequacy and effectiveness of internal controls.

6 INTERNAL AUDIT STANDARDS

- 6.1 There is a statutory requirement for Internal Audit to work in accordance with 'proper audit practices'. These 'proper audit practices' are in effect 'the Standards' for local authority internal audit.
- 6.2 CIPFA and the IIA have now published the UK Public Sector Internal Audit Standard which comes into force from 1st April 2013. CIPFA has also published in consultation with the IIA a Local Government Application Note with respect to the Standards. Our Internal Audit Terms of Reference, Code of Ethics are compliant with the Standard and Guidance.

7 INTERNAL AUDIT SCOPE

- 7.1 The scope for Internal Audit is 'the control environment comprising risk management, control and governance'. This means that the scope of Internal Audit includes all of the Council's operations, resources, services and responsibilities including those where the Council works with other bodies. This definition shows the very wide scope of Internal Audit's work.
- 7.2 In order to turn this generic description of scope into actual subjects for audit, the Chief Internal Auditor uses a risk assessment to identify high-risk areas. This risk assessment includes an assessment of the effectiveness of the systems of internal audit, reviewing the adequacy and effectiveness of risk management and reviewing corporate and departmental risk registers. This process inevitably identifies the Council's fundamental financial systems as being 'high risk', but other non-financial systems and functions are also identified as important areas for review by Internal Audit, for example project management/ICT and Health and Safety.

8 INTERNAL AUDIT RESOURCES

- 8.1 The Chief Internal Auditor has ensured that the resources of the Internal Audit Section are sufficient to meet its responsibilities and achieve its objectives. If a situation arises whereby the Chief Internal Auditor concludes that resources are insufficient, he must formally report this to the Section 151 Officer.
- 8.2 The Chief Internal Auditor has been responsible for appointing the staff of the Internal Audit Section and has ensured that appointments have been made to achieve the appropriate mix of qualifications, experience and skills.

- 8.3 Internal Audit is appropriately staffed in terms of numbers, grades, qualification levels and experience, having regard to its objectives and to the Standards. Internal Auditors are properly trained to fulfil their responsibilities and maintain their professional competence through appropriate development programmes.
- 8.4 Where skills do not exist within the team, the Chief Internal Auditor buys in resources from external sources to provide an adequate, effective and professional service, for instance with respect to ICT or Health and Safety audits.
- 8.5 If Internal Audit staff are appointed from operational roles elsewhere in the Authority, they do not undertake an audit in that operational area during the first year of their appointment, except by prior agreement between the Chief Internal Auditor and the relevant Head of Service.

9 FRAUD AND CORRUPTION

- 9.1 The Anti Fraud and Corruption Strategy was revised and updated in light of the Bribery Act that came into force on 1 July 2011 and endorsed by the Audit Committee at its September 2011 meeting. The Strategy sets out the responsibilities of the various parties. These include, amongst other things, that the promotion of and revision to the Strategy lies with Monitoring Officer (Head of Law) advised by the Chief Internal Auditor. Managing the risk of fraud and corruption is the responsibility of Chief Officers; Internal Audit does not have responsibility for the prevention or detection of fraud and corruption. Audit procedures alone, even when performed with due professional care, cannot guarantee that fraud or corruption will be detected. Internal auditors will, however, be alert in all their work to risks and exposures that could allow fraud or corruption. Internal Audit may be requested by management to assist with fraud related work. A training programme to develop fraud investigatory skills within the team is included within the development plans.
- 9.2 The Chief Internal Auditor advises Chief Officers on fraud and corruption issues.
- 9.3 The Chief Internal Auditor has made arrangements to be informed of all suspected or detected fraud, corruption or improprieties so that he can consider the adequacy of the relevant controls, and evaluate the implications for the opinion on the internal control environment.

10 REPORTING ACCOUNTABILITIES

- 10.1 A written report is prepared for every internal audit in accordance with the appropriate standards. The report is agreed with the Principal Client Manager before being issued to the responsible Assistant Director or Head of Service. The reports include an 'opinion' on the adequacy and effectiveness of risk management and internal controls in the area that has been audited.
- 10.2 Internal Audit make practical recommendations based on the findings of the work and discuss these with management to establish an appropriate action plan.
- 10.3 The Assistant Director or Head of Service is asked to respond to the report's recommendations within an agreed timescale. The response must show what actions have been taken or are planned in relation to each recommendation. If a recommendation is not accepted by the manager, this is also stated. The Chief Internal Auditor assesses whether the managers response is adequate.
- 10.4 Any findings given a high priority are monitored and reported in a separate High Priority Findings (HPF) report. Management assurance is obtained to ensure the agreed actions have taken place and updates about the progress of dealing with high priority findings are reported to Chief Officers Group monthly. If actions have not been implemented satisfactorily by the agreed dates, the Chief Internal Auditor will make a risk based assessment to determine what further follow-up audit and subsequent reporting to Chief Officers Group is required.
- 10.5 Any reports that, in consultation with Chief Officers, are judged to be "Corporately Significant" based upon agreed criteria are reported to the Audit Committee. These reports are subject to a full follow up audit.
- 10.6 The Chairman can request a sample of audit reports to review periodically.

11 RESPONSIBILITIES

- 11.1 In meeting its responsibilities, Internal Audit activities are conducted in accordance with Council strategic objectives and established policies and procedures. In addition, Internal Auditors shall comply with the Code of Ethics and the Code (UKPSIAS) and other such codes of professional bodies of which internal auditors are members, such as the Chartered Institute of Internal Auditors.
- 11.2 Internal Audit co-ordinate their work with that of the external auditors and assist the external auditors as required to ensure that appropriate reliance can be placed on Internal Audit's activities; Internal Audit may also place reliance upon the work of the external auditors.

- 11.3 Internal Audit will work in partnership with other bodies to secure robust internal controls that protect the Council's interests.

12 RELATED DOCUMENTS

- 12.1 This document is one of a series that, together, constitute the policies of the authority in relation to anti-fraud and corruption. The other documents include:

Anti-Fraud and Corruption Strategy
Whistle-Blowing Policy
Code of Conduct for Members and Co-opted Members
Officers Code of Conduct.

13 DEFINITIONS

In terms of the PSIAS and the LGAN:-

Audit Charter – these Terms of Reference for Internal Audit represent the Audit Charter.

Senior Board – functions are exercised by the Audit Committee

Senior Management – functions are exercised by the Chief Officer Group

PSIAS - CIPFA and IIA's UK Public Sector Internal Audit Standard, which came into force on 1 April 2013. The PSIAS and the Local Government Application Note (the Application Note) together supersede the 2006 CIPFA *Code of Practice for Internal Audit in Local Government in the United Kingdom* (the 2006 Code).

LGAN - Local Government Application Note published by CIPFA in collaboration with the IIA in April 2013

Introduction

Delivering Audit Opinions, findings, certifications and undertaking investigations requires strong moral character. Recruitment, selection, training, development and supervision all encourage and promote positive moral qualities. Management set the tone for how the team works and the decisions that are made.

A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. This code is complementary to, and should be read in conjunction with the CIPFA “Ethics and You” A Guide to the CIPFA Standard of Professional Practice on Ethics (June 2006). This code is compatible with the new UK Public Sector Internal Audit Standard.

The Code of Ethics is based on five pillars,

**Integrity,
Objectivity,
Confidentiality,
Competency and
Professional Behaviour.**

The Five Pillars

1. Integrity

The integrity of internal auditors is founded upon trust and thus provides the basis for reliance on their judgement. Internal auditors will never use their authority or office for personal gain. They will seek to uphold and enhance the standing of the profession. Internal auditors will maintain an unimpeachable standard of integrity in all their business relationships both inside and outside the organisations in which they are employed. They will reject any business practice, which might reasonably be deemed improper.

Internal auditors:

- 1.1. Will perform their work with honesty, diligence, and responsibility.
- 1.2. Will observe the law and make disclosures expected by the law and the profession.
- 1.3. Will not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation or themselves in their professional capacity. The fact that an action is legal does not necessarily mean that it is ethical.
- 1.4. Will declare any personal interest, which may impinge or might reasonably be deemed by others to impinge on impartiality in any matter relevant to his or her duties.

- 1.5. Will respect and contribute to the legitimate and ethical objectives of the organisation.
- 1.6. Will be trustworthy, truthful and honest. They should also promote and support these fundamental principles by leadership and example.

2. Objectivity

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Internal auditors:

- 2.1. Will not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2. Will not accept anything that may impair or be presumed to impair their professional judgement
- 2.3. Will disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review or distort their reports or conceal unlawful practice.
- 2.4. Will at all times maintain their professional independence. They must be fair and must not allow prejudice or bias, conflict of interest or the influence of others to override their judgement and actions.

3. Confidentiality

Internal auditors respect the value and ownership of information they receive and do not hold or disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Internal auditors:

- 3.1 Will be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Will not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.
- 3.3. Will respect the proper confidentiality of information acquired during the course of performing professional services: information given in the course of duty should be true and fair and never designed to mislead
- 3.4. Will not use or disclose any such information without specific authority unless there is a legal or professional right or duty of disclosure.

4. Competency

Internal auditors apply the knowledge, skills, and experience needed in the performance of internal auditing services. Internal auditors foster the highest possible standards of professional competence amongst those for whom they are responsible optimising the use of resources for which they are responsible to provide the maximum benefit to their employing organisation

Internal auditors:

- 4.1. Will engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2. Will continually improve their proficiency and the effectiveness and quality of their services.
- 4.3. Will perform professional services with due care, competence and diligence, and have a continuing duty to maintain their professional knowledge and skill at a level required to ensure that an employer or client receives the advantage of a competent professional service based on up-to-date developments in practice, legislation and techniques.
- 4.4. Will carry out professional services in accordance with the relevant technical and professional standards.

5. Professional Behaviour

Internal auditors comply with standards and laws and must not bring the reputation of the profession into disrepute in their behaviour and actions.

Internal auditors:

- 5.1 will behave in a professional manner both during their day to day work and activities outside of work.

Audit Committee

Item No 10

Report title:	Anti-Fraud and Corruption Update
Date of meeting:	29 January 2015
Responsible Chief Officer:	Practice Director Norfolk Public Law (NPLaw)
Strategic impact The Committee takes a lead on the Council's Anti-Fraud and Corruption responsibilities and the implementation of that policy and strategy.	

Executive summary

This report provides an update for the Committee on the Council's Anti-Fraud and Corruption activity for the period from June to December 2014.

Since the last reporting there have been a range of further advice and guidance from Government and professional bodies. Action has been taken or is planned to meet the requirements of the regulations and guidance. Work has continued on the agreed plan of Anti-Fraud activity.

Recommendation:

The Audit Committee should consider:

- Actions that:
 - The mandatory information will be published as required by the due deadline (February 2015) for the DCLG Transparency Code 2014 – Anti- Fraud Section requirements (**Appendix A**). The information 'recommended' for publication in that Code will be investigated and reported to the next meeting.
 - a Statement regarding the adherence to the Code will be included in the Council's Annual Governance Statement, as required by the CIPFA Code of Practice on Managing the Risk of Fraud
 - A report will be made to the next meeting of the Audit Committee regarding the National Audit Office Whistleblowing Report - November 2014 and their earlier report 'Making a Whistleblowing Policy Work 18 March 2014
 - Actions arising from the CIPFA Anti-Fraud Benchmarking Report 2014 have been included in the Action Plan at (**Appendix D**)
- There are no actions arising from:
 - the questions posed in the Audit Commission Fraud Briefing 2014 (**Appendices B1 and B2**)

- the questions posed in the Audit Commission Protecting the Public Purse Report 2014 (**Appendix C**)
- the questions posed in the Audit Commission Fighting Fraud Checklist for Governance 2014 (**Appendix E**)
- The Government's UK Ant-Corruption Plan (para 2.15 below) which has no direct actions for Local Councils and direction is awaited from DCLG in due course.
- the NFI progress report, at paragraphs 2.16-2.18.
- The Anti-Fraud and Corruption Strategy 2014 remains fit for purpose
- the work to date by Norfolk Audit Services, that there has been adequate progress and the plan for future work as set out in **Appendix D**.

The Audit Committee to consider and commend to Chief Officers that:

- some 'Fraud Awareness' training be made a mandatory requirement for Employees.

1. Proposal (or options)

- 1.1 The proposals are set out in the Executive summary above.

2. Evidence

- 2.1 The Audit Committee approved the January 2014 edition of the Anti-Fraud and Corruption Strategy, its Policies and Guidance at the January 2014 meeting of the Committee. No significant amendments are considered necessary at this time.
- 2.2 This report provides an update for the Committee on Anti-Fraud and Corruption activity for the period from June to December 2014. The last update was presented to the Committee in June 2014.
- 2.3 DCLG have issued a [Code on Local Government Transparency](#) for 2014 (at pages 9 and 33). Please click on the underlined text for details. The code includes information to be published regarding Anti-Fraud activities and costs. The information required to be published is set out in **Appendix A**.
- 2.4 The definition of a fraud that needs to be reported in the above Code is the same as the amount of detected fraud reported by local

government bodies. For the purposes of that survey the Audit Commission defines fraud as, 'intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss. They include cases where management authorised action has been taken including, but not limited to, disciplinary action, civil action or criminal prosecution.

- 2.5 During 2013-14, the year reported here, there were two such fraud cases, however, these were reported directly to the Police and investigated by them. As those under investigation were not employees, there was no cost to the Council for investigation or prosecution to report.
- 2.6 The mandatory information will be published, on the Council's web pages, as required by the due deadline (February 2015) for the Code requirements (**Appendix A**). The further information that is recommended for publication in that Code will be investigated and reported to the next meeting
- 2.7 A [Code of Practice on Managing the Risk of Fraud](#) has been published by CIPFA. The Code contains a set of practice principles and the five key principles are:
- Acknowledge the responsibility of the governing body for Countering fraud – which is achieved through the Council's published Anti-Fraud and Corruption Policy and Strategy
 - Identify the Fraud and Corruption risks – which is achieved through our annual internal audit planning and through internal audit work
 - Develop an appropriate counter fraud and corruption strategy – which is achieved as above
 - Provide resources to implement the strategy – which is achieved and reported to this Committee in regular updates
 - Take action in response to fraud and corruption – which is achieved through internal audit's work to investigate alleged fraud or corruption.

The Code makes recommendations for the Council for applying the Code in practice (page 7). Where the Council is making a Statement in its Annual Governance Statement about adherence to this Code a statement should be approved according to whether the organisation conforms to the code or needs to take further action. The Statement should be approved by the governing body and signed by the persons responsible for signing the Annual Governance Statement. A Statement regarding the adherence to the Code will be included in the Council's Annual Governance Statement, as required by the CIPFA Code.

- 2.8 A **Fraud Briefing for Norfolk CC 2014** has been published by the Audit Commission presented at **Appendix B1**. The briefing sets out:
- The purpose of the Fraud briefing
 - Understanding the bar charts

- Interpreting fraud detection results
 - Total detected cases and value 2013-14 (for all County Councils)
 - Detailed charts per topic
- 2.9 The briefing also includes questions elected members and decision makers may wish to ask. The questions and positive responses are set out in **Appendix B2**.
- 2.10 A **Protecting the Public Purse October 2014** report, published by the Audit Commission, is presented at **Appendix C**. The report makes recommendations for Local Authorities (page 6).
- All local government bodies should:
 - Use our checklist for Councillors and others responsible for audit and governance (see 2.8 below) to review their counter fraud arrangements – this is completed.
 - Adopt a corporate approach to fighting fraud, to ensure they fulfil their stewardship role and protect the public purse from fraud – this is met through the Anti-Fraud Strategy
 - Actively pursue potential frauds identified through their participation in the National Fraud Initiative (NFI) – this is completed
 - Assess themselves against the framework in CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption – this is completed (see 2.9 above); and
 - Engage fully with the new CIPFA Counter Fraud Centre – now part of the Internal Audit Anti-Fraud Action Plan (**Appendix D**)
 - Councils in particular should :
 - Protect and enhance their investigative resources, so that they maintain or improve their capacity to detect fraud – this is included in the Internal Audit Plan for 2015-16
 - Be alert to the risk of organised crime, notably in procurement – this is added to the Internal Audit action plan (**Appendix D**)
 - Be alert to the risks of fraud, particularly in growing risk areas, such as Social care – this is added to the Internal Audit action plan
 - Apply the lessons from the approach encouraged by PPP to tackle housing tenancy fraud, to other types of fraud – this is added to the Internal Audit action plan
 - Focus on prevention and deterrence as a cost-effective means of reducing fraud losses to protect public

resources – this is completed, see Internal Audit action plan

- Focus more on recovering losses from fraud, using legislation such as the Proceeds of Crime Act; and
- Take up the Commission's offer of receiving a fraud briefing to help them benchmark their performance and promote greater transparency and accountability (see 2.8 above) – this is completed (Appendix B1).

2.11 A **Fighting Fraud Checklist** for Governance 2014 published by the Audit Commission is presented at **Appendix E**. The checklist covers thirty questions, which can all be answered positively.

2.12 The **National Audit Office** has published a [Whistle-blowing Report – November 2014](#). The report follows their earlier report '[Making a Whistleblowing Policy Work](#)', dated 18 March 2014. The NAO reports that the Committee on Standards in Public Life has recommended that;

‘ well run organisations should review their whistleblowing arrangements, both to ensure their effectiveness and to confirm that workers have confidence in the arrangements. Your Audit Committee should have a key role in ensuring effective whistleblowing arrangements are in place, given that such arrangements form part of the control environment of your organisation and can highlight risks to your organisation’.

2.13 The NAO goes on to say,

‘HM Treasury's Audit and Risk Assurance Committee Handbook suggests that part of the terms of reference for the committee should be to ‘advise the Board and Accounting Officer on.. whistleblowing processes..’ (page 38)

2.14 Key questions for reviewing whistleblowing arrangements are set out on page 39 of the NAO report and an ‘Employer Checklist’ is provided at Appendix 2 of that report. A report will be made to the next meeting of the Audit Committee regarding the National Audit Office Whistleblowing Report - November 2014 and their earlier report ‘Making a Whistleblowing Policy Work dated 8 March 2014

2.15 The Government has published an [UK Anti-Corruption Plan](#). That report makes recommendations to Government Departments, including DCLG but has no direct actions for Local Councils and direction is awaited from DCLG in due course.

2.16 The Council subscribed to the **CIPFA Anti-Fraud Benchmarking 2014** scheme for 2013-14 data. There were 14 participants but regrettably only one other similar sized authority took part. Key conclusions and actions (which have been added to the Anti-Fraud Action plan at **Appendix D**), are:

- This Council's staff time for Counter Fraud and Investigation was the lowest benchmarked. A contributing factor is that there were no frauds investigated in that year (see **Appendix B1**). Counter Fraud work increased in 2014-15 due to time spent developing the e-learning tool
 - With only one Certified Fraud Investigator (CIPFA Certificate in Investigative Practice – CIIP) there is scope to increase the number of the team with Investigative qualifications on a risk assessed basis
 - Other authorities provide text and on-line reporting methods for suspected fraud and this will be added to the Council's 'How to Contact us' section of the Anti-Fraud Strategy.
- 2.17 The **National Fraud Initiative (NFI)** is a national exercise every two years and requires data to be extracted for matching with other authorities data to identify possible fraudulent activities. Progress is considered satisfactory.
- 2.18 All data sets were submitted in October 2014 in accordance with Audit Commission requirements and deadlines. Matching results are expected on 29 January 2015 and NAS have plans in place to ensure that appropriate staff are available to undertake investigation work within the relevant service areas.
- 2.19 An extension was agreed with the Audit Commission to allow NORSE Group, the Council's wholly owned company, to submit their data sets in early February 2014 due to an upgrade of NORSE systems taking place at the date of the original extract date. Results for this will be included in the matching results update in early 2015/16.
- 2.20 Norfolk Audit Services plan for future work on Anti-Fraud and Corruption Activity is presented at **Appendix D**. Progress is considered satisfactory.
- 2.21 The 'Fraud Awareness' e-learning course needs more positive promotion to increase the take up and exposure and to improve the preventative benefits of the training. The uptake on both the fraud e-learning courses has not been significant. Since their launch in June 2014, 149 persons have enrolled in the 'Fraud Awareness' course and 17 in the 'Fraud Prevention and Detection' with limited completion statistics.
- 2.22 Technical details appear in **Appendix F**, for information.

3. Financial Implications

- 3.1. The expenditure falls within the parameters of the Annual Budget agreed by the Council.

4.1. Risk implications

This report has fully taken into account any relevant issues arising from the Council's policy and Strategy for risk management and any issues identified in the corporate and departmental risk registers.

4.2. Resource Implications

Our resources for Anti Fraud Activity are set out in the Audit Plan agreed in January 2014. It includes 60 days for the "provision of advice and assistance", which is largely aimed at raising awareness and prevention. There is also provision of 40 days to provide specific audits that seek to detect Fraud. We have made no provision for investigations, although we may become involved in some during the course of the year and where we do we will in the first instance charge the relevant service, but there may be a charge on the contingency. Should there be a major investigation additional resource may be sought.

Resources for 2015-16 are described in a separate report on the Audit Planning to the Audit Committee.

4.3. There are no implications with respect to:

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

5. Background

- 5.1. The Council is required to report annually to the Audit Commission as part of the Commission's Annual Fraud Survey with respect to fraud activity and did so for 2013-14 in May 2014. We are required to report cases of fraud, with a value of over £10k, and we reported two cases with a total value of £89,860. Details are presented in the Norfolk briefing at **Appendix B1**.
- 5.2. There have been no changes to the Council's Whistle-blowing or Money Laundering policies.
- 5.3. It is considered that with the proposed changes to Local Public Audit by the Government the scope of Internal Audit's work for public interest matters, such as fraud or corruption, may well become more significant as the External Auditor's role is limited through cost considerations to the mandatory and regulatory requirements.
- 5.4. Under section 17 of the Crime and Disorder Act 1998, the Council has a statutory general duty to take into account the crime and disorder implications of all of its work, and to do all that it reasonably can to prevent crime and disorder in Norfolk. The Anti-Fraud and Corruption activity is directly aimed at fulfilling this statutory duty and this report

sets out the activity for June to December 2014 and future plans with respect to this work.

5.5. **Background papers**

There were no background papers relevant to this report.

Officer Contact

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

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

Officer Name: Adrian Thompson - Chief Internal Auditor

Tel No: 01603 222784

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



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

DCLG Transparency 2014 Requirements

Table 1: 'Must' be published annually (by February 2015)

<i>Information which 'must' be published relating to Fraud</i>	<i>Information for 2013-14</i>
Number of occasions we use powers under the Prevention of Social Housing Fraud (Power to Require Information)	Nil, the Council has no Social Housing Function
Total number (absolute and full time equivalent - FTE) of employees undertaking investigations and prosecutions of fraud	One (One FTE)
Total number (absolute and full time equivalent) of professional accredited counter fraud specialists	One (Chief Internal Auditor) – CIPFA Certificate in Investigative Practice
Total amount spent by the authority on the investigation and prosecution of fraud	Nil
Total number of fraud cases investigated	Nil (Two passed directly to the Police)

Protecting the Public Purse Fraud Briefing 2014 – Norfolk CC

Table 3: 'Questions elected members and decision makers may wish to ask'

<i>Topic relating to Fraud</i>	<i>Response for 2014-15</i>
DCLG Funding – Did our Council apply for a share of the £16m challenge funding from DCLG?	We did apply for a share of the challenge funding with a proposal for an East Anglian Counter Fraud Forum.
If successful, are we using the money effectively?	The bid was not successful.
Local Priorities – Are local priorities reflected in our approach to countering fraud?	Local priorities are reflected in our risk based internal audit planning. Anti-Fraud and Corruption work, particularly prevention and detection work (per Fighting Fraud Locally and the CIPFA Code) is one of the top six risk priorities for the Internal Audit activity as per the proposed 2015-16 Internal Audit Planning.
Partnerships – Have we considered counter-fraud partnership working?	Partnerships were considered as part of the challenge funding bid. Future partnership opportunities will be sought.
Using Information and Data – Are we satisfied that we will have access to comparative information and data to inform our counter fraud decision making in the future?	The Council subscribes to the CIPFA Anti-Fraud Benchmarking scheme and the information is used to inform planning of our work.

Anti-Fraud Action Plan

For each element of the Strategy there are various actions planned and these are set out below, new ones are underlined. Resources have been allocated to this plan from within the existing audit team and are considered adequate.

Prevention Actions are:

- We completed an audit to review personal budget arrangements to ensure that safeguarding and whistleblowing arrangements are proportionate to the fraud risk, including strengthening links between the safeguarding team and Internal Audit;
- We provided relevant data on 6 October 2014 as part of the 2014/15 NFI exercise
- We completed unannounced 'Spot' visits on cash handling in October and November 2014
- We participated in the 2014 CIPFA benchmarking exercise to measure progress achieved during 2013-14, the Anti-Fraud benchmarking will be considered for any potential correlation of the proportion of incidents to the relative level of audit resources by March 2014
- We have promoted the new Anti-Fraud and Corruption Strategy and associated policies during this reporting period and will continue to do so
- Consider increasing the number of qualified Investigators in the Internal Audit team
- Add Text and On-line referral to the 'How to Contact Us section of the Anti-Fraud Strategy and facilitate these options
- Be alert to the risks of fraud, particularly in growing risk areas, such as Social care
- Audits of the 'Top 100 value' for Schools Procurement Cards will be included in our 2015-16 planning
- Be alert to the risks of organised crime, particularly for procurement
- Apply the lessons from the approach encouraged by the Audit Commission's Protecting the Public Purse to tackle housing tenancy fraud, to other types of fraud
- To continue to seek to improve our use of data, information and intelligence to further focus our counter-fraud work, in partnership with other teams within NCC, including the Strategic Risk team

- continue to follow good practice and match the successes of others via networks and technical updates. Engage fully with the new CIPFA Counter Fraud Centre
- investigate encouraging the introduction of Anti-Fraud and Corruption champions within departments
- complete a member survey of anti-fraud and corruption arrangements during 2015
- the Fraud Awareness course has been redesigned and has been re-launched.
- Develop some mandatory Anti-Fraud training undertaken by all employees
- The “Fraud Prevention and Detection” e-learning package for managers has also been launched. A communications plan has been produced to intensify the promotion of these courses in the period November 2014 to April 2015
- continue to work with the wholly owned companies, including NorseCare Ltd, to maintain consistent prevention measures
- further sessions are planned for ,The Anti-Fraud Briefing to a departmental management teams ‘Red Flags and Rolled up Sleeves’

Detection Actions included resolution, with other departments of NCC of “matches” from the 2014-15 NFI exercise.

Investigations Actions include

- the a review of our investigation methodology and our reports, and
- a review the Fraud Response plans.

Sanctions Actions include to continue to progress, and where possible, complete loss recovery plans.

Anti-Fraud Technical Details

Section 1 - Prevention

- 1.1 Anti-Fraud best practice continues to be sought. Norfolk Audit Services has membership of the London Audit Counter Fraud Group and the Eastern Fraud Forum and regularly reviews fraud updates, best practice advice from others parties such as CIPFA and Anti-fraud networks, including now the CIPFA Counter Fraud service.
- 1.2 The County Council has clear procedures for the checks that need to be performed on new members of staff including identity, right to work, references and qualifications.
- 1.3 We continue to use our Termly [Schools Newsletter](#) (click on text to view the latest edition) to promote Fraud and Corruption messages and information to schools. An [Anti-Fraud leaflet](#) is available.
- 1.4 The 'Key Financial Controls' course continues to be offered by the Schools Finance Team designed in conjunction with NAS. This course is for operational finance staff and contains guidance on anti-fraud and corruption for schools. A 'Protecting Public Money' course is also offered to School Governors and Headteachers which contains guidance on the Anti-fraud Strategy and Whistleblowing Policy. Further courses of these are planned. There are no charges for these courses if the school has purchased a Finance Support Package.
- 1.5 The Strategic Risk, Insurance and Internal Audit teams continually assist Chief Officers to assess the risks from fraud and corruption. The Strategic Risk Manager will, when reviewing risk registers ensure that the risks from fraud and corruption have been consider by the risk owners. No specific additional fraud or corruption risks have been identified due to the impact of the recession and the economic climate in Norfolk. As part of the process to prevent and stop fraudulent claims, insurance claims are reviewed for potential fraud at key points during the claims handling process..

Section 2 – Detection

- 2.1 Norfolk Audit Services' primary objective is for the delivery of the Internal Audit plan as agreed by the Audit Committee. Some of the audits included in the 2014-15 Internal Audit Plan have specifically included reviewing controls with respect to anti-fraud and corruption and as such may help to detect fraud or corruption. .
- 2.2 The promotion of the responsibilities of Chief Officer's and their managers in relation to detecting fraud and corruption is a key part of the prevention Strategy explained above and is clearly stated in internal audit reporting, and this role is now further supported with the availability of the 'Fraud Prevention and Detection' e-learning course.

- 2.3 The Cabinet Office has taken over the administration of the 2014/15 National Fraud Initiative exercise (NFI) from the Audit Commission to help detect fraud, overpayments and errors.

We participated in the 2012/13 NFI exercise and investigations are nearing completion and indicate a positive position for NCC.

In February 2014 we participated in the Audit Commission NFI pilot scheme for data matching for personal budgets.

- 2.4 We completed unannounced “Spot” visits on cash handling in 2013-14 and a further audit took place in October and November 2014 on the same topic at a wide ranging set of establishments.
- 2.5 Internal Audit work does identify and specifically report control weaknesses in processes or systems that may increase the risk of fraud or corruption, however it provides only a very limited level of detection as sample sizes are generally small. Our Internal Audit planning is informed by best practice including the Fighting Fraud Locally Strategy. High Priority Findings are reported to Chief Officers Group and to this Committee to track their completion to deadlines that have been agreed.

Section 3 – Investigation

- 3.1 When allegations are made, Norfolk Audit Services (NAS) undertake a preliminary assessment, in accordance with the NAS Fraud Response Plan, of the situation to assess what further action is required.
- 3.2 Where requested by Chief Officers (or the Audit Committee Chairman if required) the team may use their experience and skills to support relevant ad-hoc disciplinary investigations or corporate complaints with a significant financial element, fulfilling an ‘Investigating Officer’ role. Lessons learned help inform the Council’s audit needs assessment planning. There were no such requests during the reporting period.
- 3.3 Preliminary assessments and investigations are managed by staff that are suitably trained or supervised. Investigations are subject to internal review by the Chief Internal Auditor who holds the CIPFA Certificate in Investigatory Practice. Training for Senior Auditors on specific aspects, such as investigative interview techniques, preparing statements and investigative reporting will be considered during 2015-16.
- 3.4 Investigations commenced from 2012 had an estimate of time to be spent and the time taken, potential results and actual results were to be reported to this committee.

Section 4 – Anti-Fraud Benchmarking

- 4.1 The CIPFA Anti- Fraud benchmarking exercise for 2014 has been completed.

Section 5 – Impact of the Audit Committee’s work and Adding Value

The Audit Committee plays a central role in providing good governance and ensuring that the Anti-Fraud and Corruption Strategy is effectively implemented. Our external auditors receive copies of final reports including investigations. Frauds over £10,000 are required to be reported to the Audit Commission annually.

Section 6 – Conclusions

- The approach is consistent with best practice, it meets both internal measures and external inspection requirements and has demonstrated effectiveness.
- The Committee continues to develop its role and impact on Anti-Fraud and Corruption governance through ongoing member training and the development of the Committee’s work programme.
- The risk of fraud and corruption is specifically considered in the Council’s overall risk management process.
- The Council has put in place controls to detect fraud and corruption and this is reported to the Committee.
- The Council has put in place arrangements for Codes of Conduct, Register of Interests and a Gifts and Hospitality Register. Members and staff are aware of the disclosures that need to be made.
- Suitable vetting arrangements are in place.
- Weaknesses revealed by fraud are looked at and fed back to Departments to fraud proof systems.

Protecting the Public Purse

Fraud Briefing 2014

Norfolk County Council

Appendix B1



Purpose of Fraud Briefing



Provide an information source to support councillors in considering their council's fraud detection activities



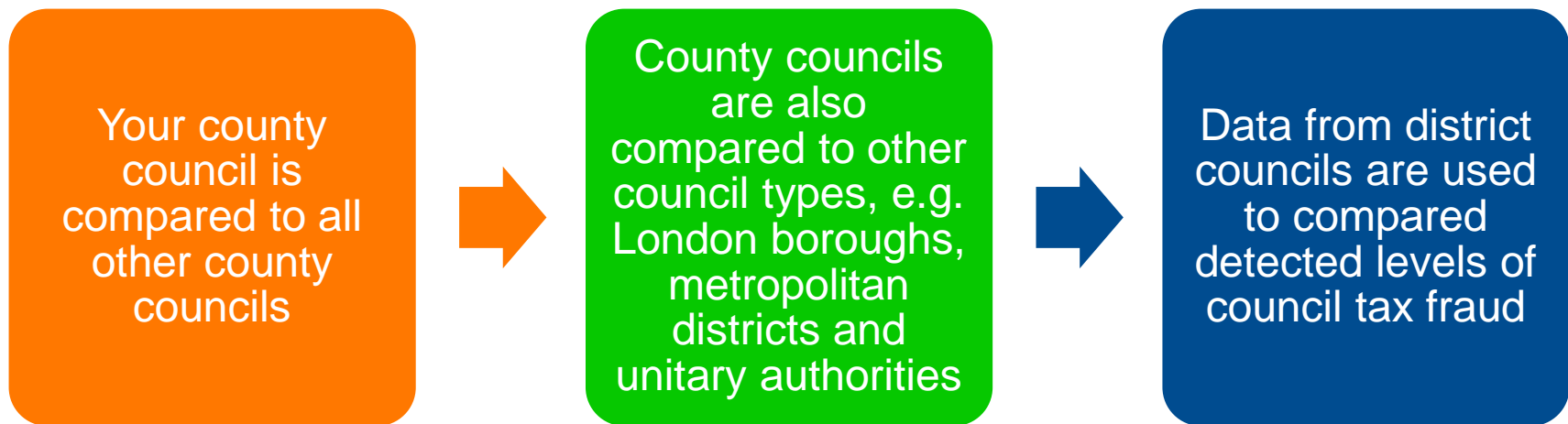
Extend an opportunity for councillors to consider fraud detection performance, compared to similar local authorities



Give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed



Be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud



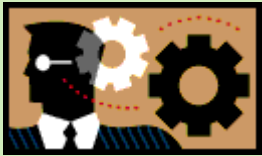
All data are drawn from council submissions on the Audit Commission's annual fraud and corruption survey for the financial year 2013/14.

In some cases, council report they have detected fraud and do not report the number of cases and/or the value. For the purposes of this fraud briefing these 'Not Recorded' records are shown as Nil.

Interpreting fraud detection results



Contextual and comparative information needed to interpret results



Detected fraud is indicative, not definitive, of counter fraud performance
(Prevention and deterrence should not be overlooked)



No fraud detected does not mean no fraud committed
(Fraud will always be attempted and even with the best prevention measures some will succeed)



Councils who look for fraud, and look in the right way, will find fraud
(There is no such thing as a small fraud, just a fraud that has been detected early)

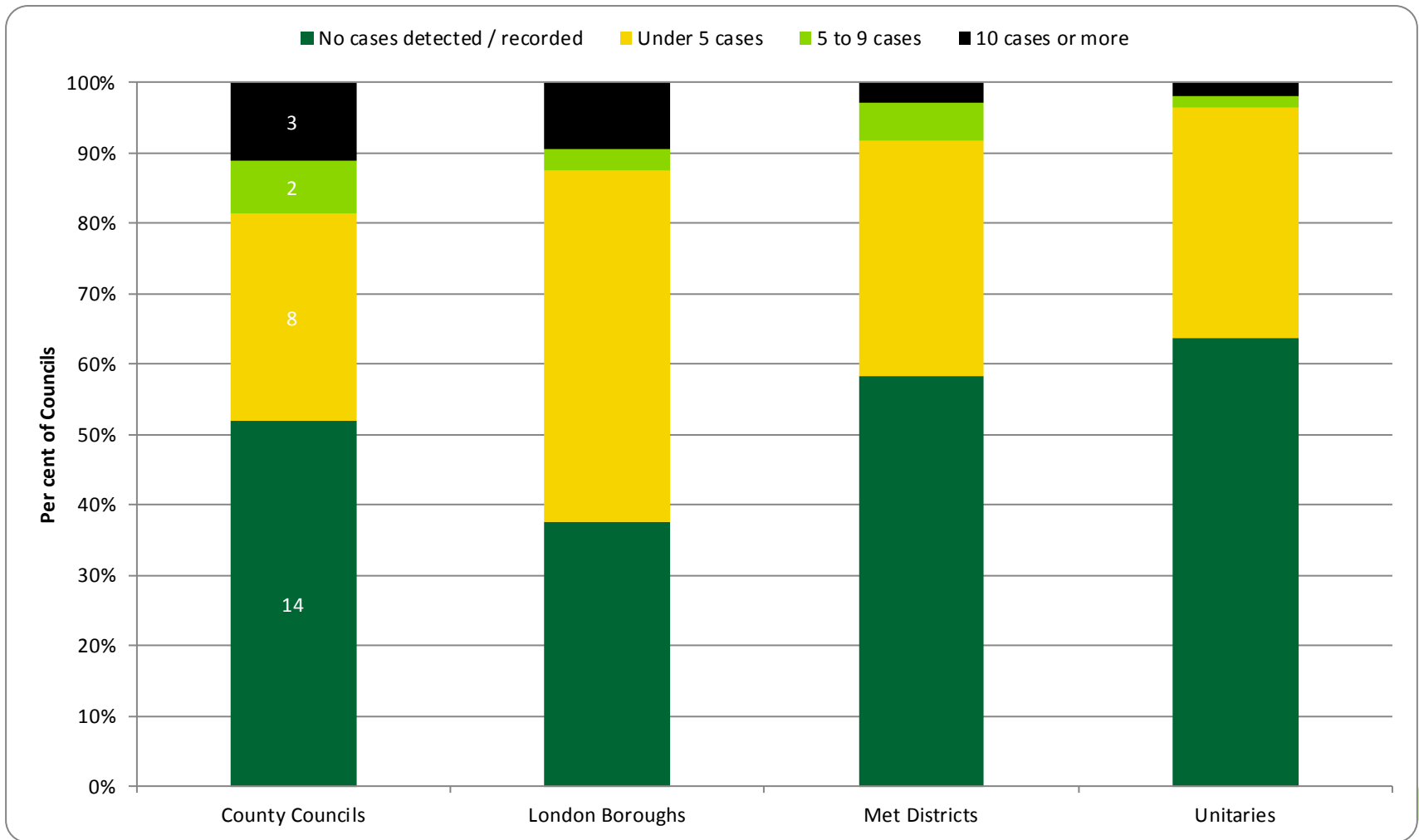
Total detected cases and value 2013/14

Per cent of county councils	Value of cases detected				
	No value recorded	Less than £15,000	£15,000 to £49,999	£50,000 to £149,999	£150,000 or more
No cases detected /	3.7	0	0	0	0
One to four cases	3.7	11.1	11.1	7.4	3.7
Five to twenty nine	7.4	11.1	3.7	11.1	7.4
Thirty cases or more	0	3.7	0	3.7	11.1

Norfolk detected 2 cases of fraud. The value of detected fraud was £89,860.
Average for other County Councils: 16 cases, valued at £165,079

Social care fraud 2013/14

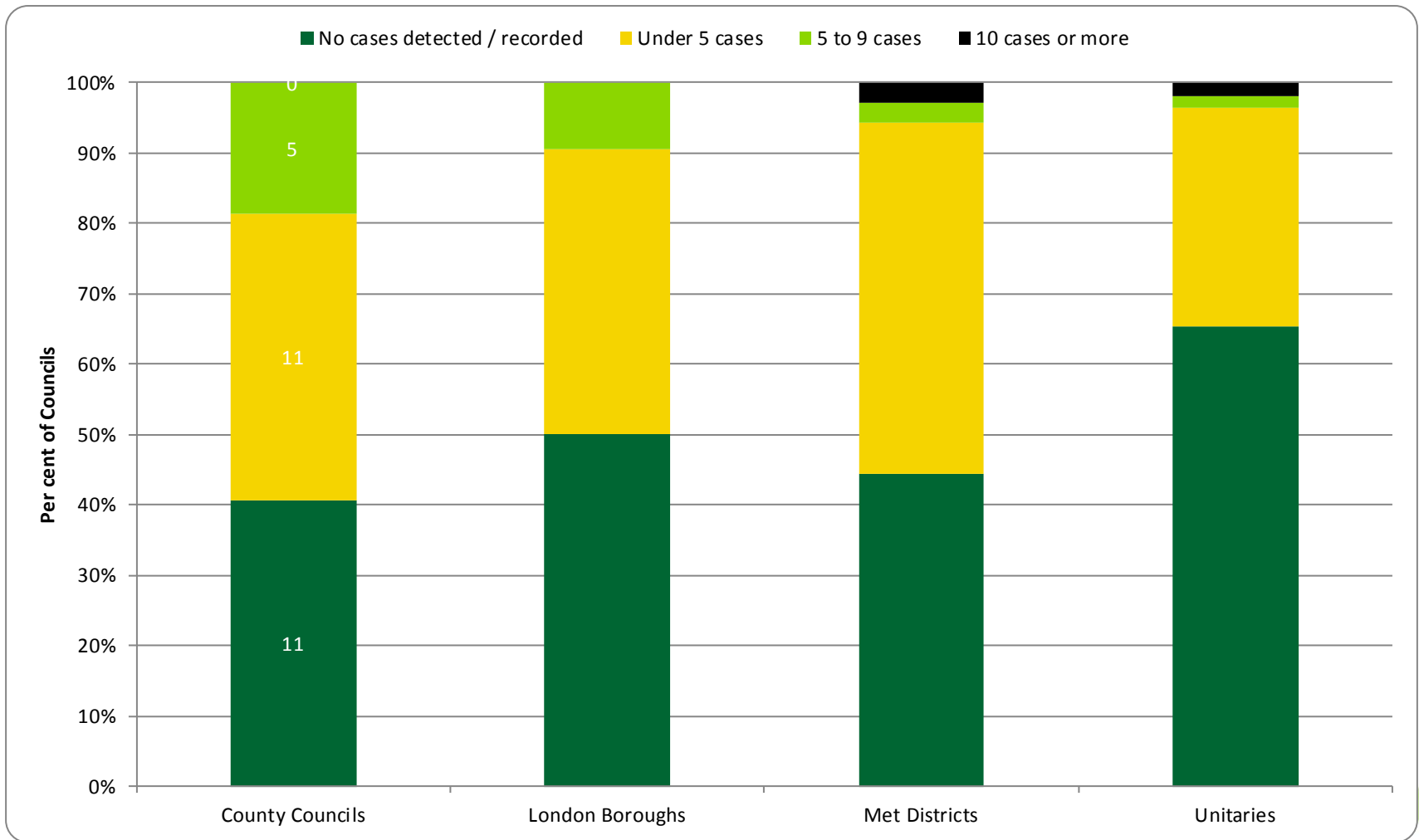
Detected cases



Norfolk detected 1 case of this type of fraud. The value of detected fraud was £32,860.

Schools fraud 2013/14

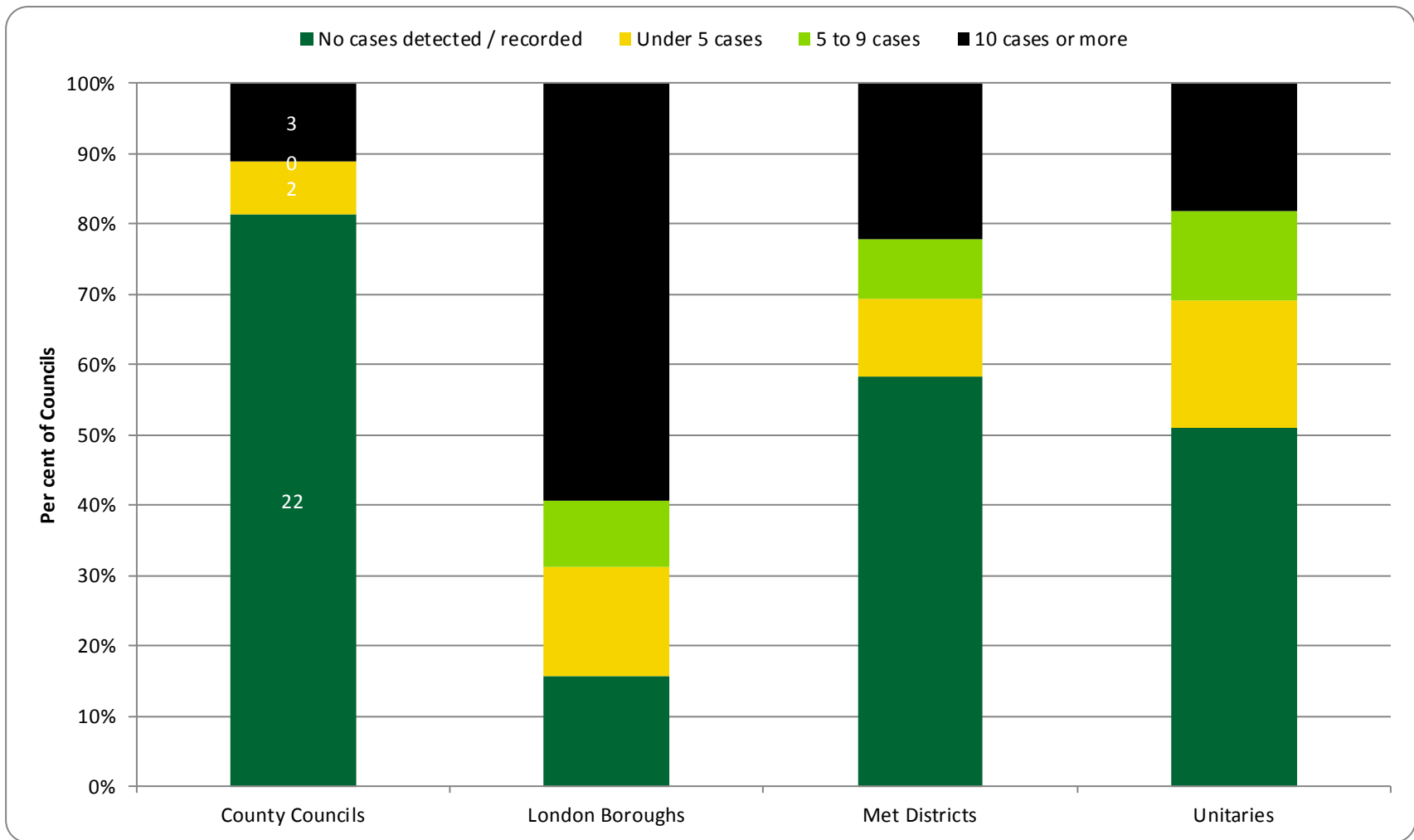
Detected cases



Schools in Norfolk did not detect any cases of this type of fraud.

Disabled parking (Blue Badge) fraud 2012/13

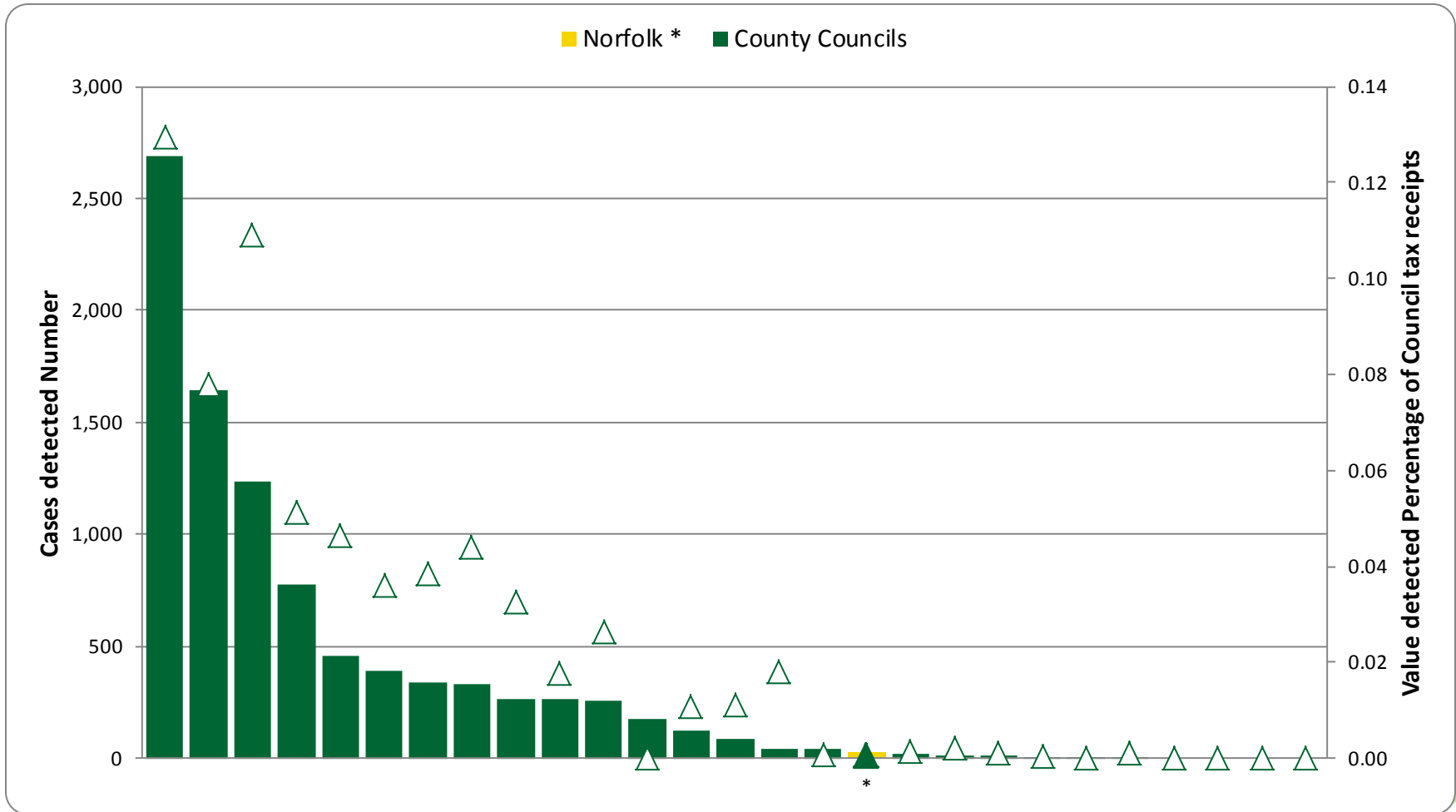
Detected cases



Norfolk did not detect any cases of this type of fraud.

Council tax (CTAX) discount fraud

Detected cases and detected value as a percentage of council tax income for District Councils in your County Council area 2013/14



The district councils in Norfolk detected 28 cases #. The value of detected fraud was £2,088 #.

Other frauds 2013/14

Norfolk

Procurement: Norfolk detected 1 case of this type of fraud. The value of detected fraud was £57,000.

Total for other County Councils: 19 cases, valued at £288,673

Insurance: Norfolk did not detect any cases of this type of fraud.

Total for other County Councils: 3 cases, valued at £11,925

Economic and third sector: Norfolk did not detect any cases of this type of fraud.

Total for other County Councils: 4 cases, valued at £17,000

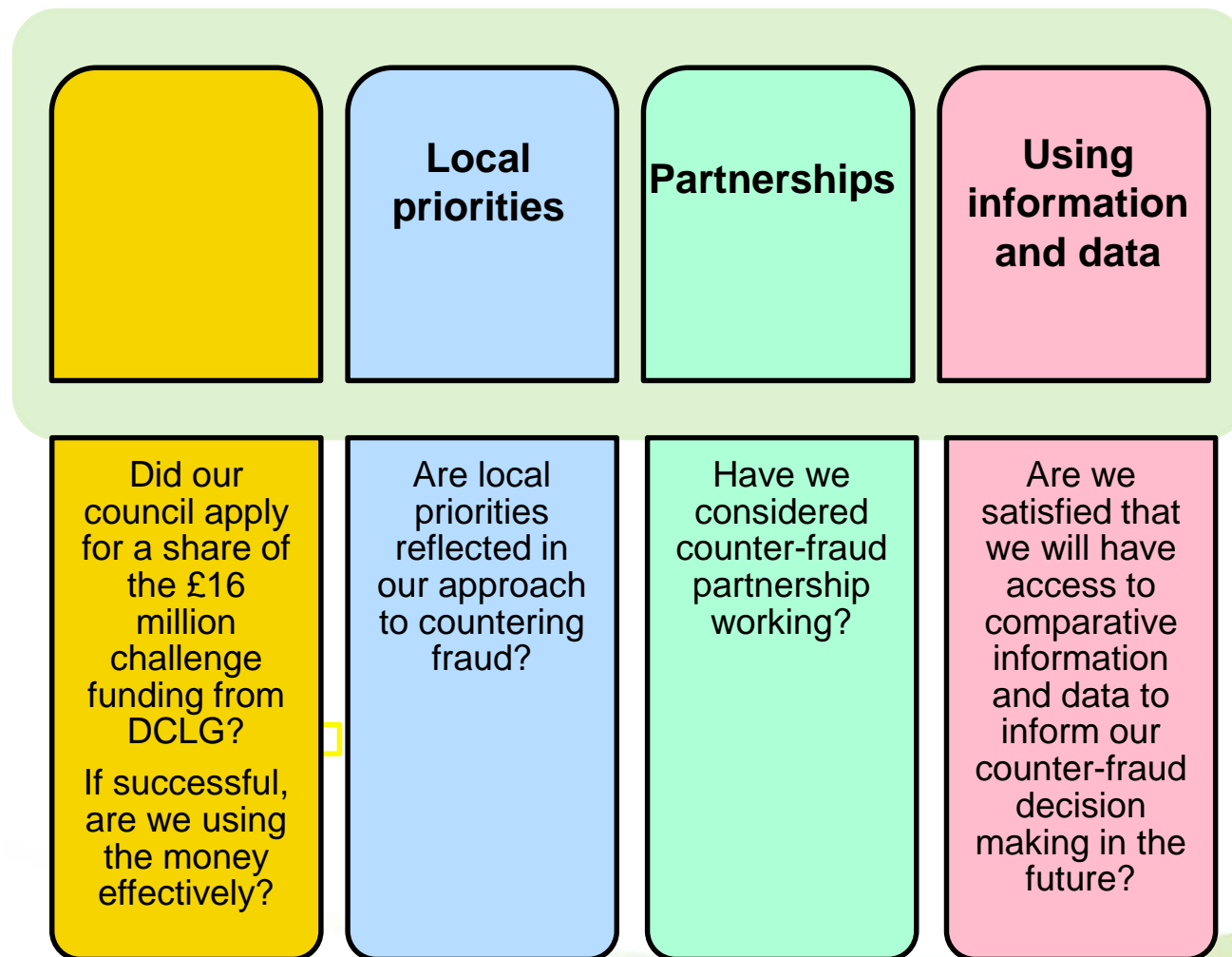
Internal: Norfolk detected this type of fraud and did not report the number of cases.

Total for other County Councils: 109 cases, valued at £1,407,580

Correctly recording fraud levels is a central element in assessing fraud risk.

It is best practice to record the financial value of each detected case

Questions elected members and decision makers may wish to ask



Any questions?



Protecting the public purse 2014

Appendix C

Fighting fraud against local government

October 2014



The Audit Commission's role is to protect the public purse.

We do this by appointing auditors to a range of local public bodies in England. We set the standards we expect auditors to meet and oversee their work. Our aim is to secure high-quality audits at the best price possible.

We use information from auditors and published data to provide authoritative, evidence-based analysis. This helps local public services to learn from one another and manage the financial challenges they face.

We also compare data across the public sector to identify where services could be open to abuse and help organisations fight fraud.

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Summary and recommendations

This is the last report in the *Protecting the public purse (PPP)* series from the Audit Commission before we close in March 2015. It draws on the learning from the Commission's 25-year experience in counter-fraud in local government.

- The Commission published *PPP* reports from 1991 to 2000 and again from 2009 to 2014. *PPP* reports have:
 - raised awareness of the importance of fighting fraud;
 - promoted transparency and accountability about counter-fraud in local government bodies;
 - improved data on fraud detection, including benchmarking; and
 - promoted good practice in fighting fraud.

The scale of fraud against local government is large, but difficult to quantify with precision.

- In 2013, the National Fraud Authority estimated that fraud cost local government £2.1 billion, but this is probably an underestimate.
- Each pound lost to fraud reduces the ability of local authorities to provide public services.
- The more councils look for fraud, and follow good practice, the more they will find. Increasing levels of detection may be a positive sign that councils take fraud seriously rather than a sign of weakening of controls.

In total, local government bodies detected fewer cases of fraud in 2013/14 compared with the previous year, continuing the decline noted in *PPP 2013*. However, their value increased by 6 per cent.

- The number of detected cases fell by 3 per cent to just over 104,000, while their value increased by 6 per cent to over £188 million.
- The number of detected cases of **housing benefit and council tax benefit fraud** fell by 1 per cent to nearly 47,000, while their value rose by 7 per cent to nearly £129 million.
- The number of detected cases of **non-benefit** fraud fell by 4 per cent to just over 57,400, while their value rose by 2 per cent to £59 million.

In the past 5 years, councils have shifted their focus from benefit fraud to non-benefit fraud. From 2016, they will no longer deal with benefit fraud.

- Between 1991 and 2000, nearly all fraud detected by councils was for housing benefit and later council tax benefit. During this time, councils had financial incentives to look for those frauds.
- These incentives ended in 2006, and councils have increasingly focused on non-benefit fraud in the past five years. Benefit frauds still comprise 45 per cent of all cases of detected fraud, and 69 per cent of their value.
- By 2016, all benefit fraud investigation will have transferred from councils to the Single Fraud Investigation Service (SFIS), run by the Department for Work and Pensions. The government's funding of £16 million from 2014, awarded under competitive bidding, to help councils refocus their efforts on non-benefit fraud during the transition will end at the same time.

Councils will need to focus on the non-benefit frauds that present the highest risk of losses, including those that arise from the unintended consequences of national policies.

- Between 2009/10 and 2013/14, councils consistently detected more **council tax discount fraud** than any other type of non-benefit fraud. In the most recent year, nearly 50,000 cases were found, worth £16.9 million.
- Detected **Right to Buy** fraud cases have increased nearly five-fold since 2009/10 to 193 per year. In 2013/14 these were worth £12.3 million. The rise in the number of these frauds followed large increases in the discount threshold over this period.
- The number of detected cases of **social care** fraud has more than trebled since 2009/10 to 438. In 2013/14, they were worth £6.2 million.
- Detected cases of **insurance** fraud rose from 72 in 2009/10 to 226 in 2013/14 and were worth £4.8 million.

Overall, councils are detecting more non-benefit frauds, but detection rates for some types of frauds have fallen.

- In 2010/11, councils detected 319 cases of **business rates** fraud worth £5.7 million. In 2013/14, they detected 84 cases worth £1.2 million.
- In 2010/11, councils detected 145 cases of **procurement** fraud worth nearly £14.6 million. In 2013/14, they detected 127 cases worth less than £4.5 million.

- A small minority of 39 councils **failed to detect any non-benefit frauds** in 2013/14. This number is down by more than half since 2012/13, which is encouraging. Our experience suggests it is extremely unlikely that no non-benefit fraud occurred at these councils.
- Councils believe that organised criminals present a low risk of fraud, but there is concern that organised crime is more prevalent in procurement fraud.

Councils are detecting more housing tenancy fraud

- The number of social homes recovered from tenancy fraudsters increased by 15 per cent in the last year to 3,030.
- In 2013/14, councils outside London recovered more than two in five (40 per cent) of these homes. This represents a marked improvement in their performance. In 2009, when the Audit Commission's *PPP* reports first highlighted this issue, councils outside London accounted for less than 5 per cent of all social homes recovered.
- These figures do not include fraud against housing associations, which provide the majority of social homes.

. . . and more fraud in schools.

- Detected cases of fraud in maintained schools have risen by 6 per cent to 206, worth £2.3 million. We have no data on fraud in non-maintained schools.
- Most of these frauds were committed by staff, suggesting that some schools may have weak governance arrangements that mean they are more vulnerable to fraud.

Local government bodies have a duty to protect the public purse. A corporate approach to tackling fraud helps them to be effective stewards of scarce public resources and involves a number of core components.

- **Prevention and deterrence:** it is not currently possible to quantify accurately the financial benefit from deterring fraud, but professionals in the field believe the prospect of detection is the most powerful deterrent. Councils should widely publicise what fraud is, the likelihood of detection, and the penalties fraudsters face.
- **Investigation and detection:** between 2009/10 and 2013/14, the mean average number of full time equivalent (FTE) fraud investigators employed by councils declined steadily from 5.2 to 4.7, a fall of 10 per cent over the period. Our analysis suggests that a fall in FTE numbers is associated with lower fraud detection levels (see Chapter 4).

- **Recovery and redress:** after 2016, when central government no longer contributes funds for counter-fraud activity, councils will need to recover more losses than they have in the past. They can use legislation such as the Proceeds of Crime Act to do so.
- **Openness and transparency:** councils should look for fraud and record how many frauds they detect. Doing so would show leadership, allow them to compare their performance with other organisations, and alert them to emerging fraud risks more effectively.
- In 2013, only three in five (62 per cent) councils took up the offer of receiving one of the Commission's new **fraud briefings**, which contain comparative information on their detection levels.

From April 2015, the Commission's counter-fraud activities will transfer to new organisations.

- When the Commission closes, the National Fraud Initiative's (NFI) data matching service will transfer to the Cabinet Office.
- The remainder of our counter-fraud staff and functions, including the *PPP* series and fraud briefings, will transfer to the Counter Fraud Centre, run by the Chartered Institute of Public Finance and Accountancy (CIPFA).

Recommendations

All local government bodies should:

- a) use our checklist for councillors and others responsible for audit and governance (Appendix 2) to review their counter-fraud arrangements (Para. 120);
- b) adopt a corporate approach to fighting fraud, to ensure they fulfil their stewardship role and protect the public purse from fraud (Para. 78);
- c) actively pursue potential frauds identified through their participation in the National Fraud Initiative (NFI) (Para. 6);
- d) assess themselves against the framework in CIPFA's new Code of Practice on Managing the Risk of Fraud and Corruption (Para. 115); and
- e) engage fully with the new CIPFA Counter Fraud Centre (Para. 132).

Councils in particular should:

- f) protect and enhance their investigative resources, so that they maintain or improve their capacity to detect fraud (Para. 100);
- g) be alert to the risk of organised crime, notably in procurement (Para. 31);
- h) be alert to the risks of fraud, particularly in growing risk areas such as Right to Buy (Para. 51) and social care (Para. 54);
- i) apply the lessons from the approach encouraged by *PPP* to tackle housing tenancy fraud, to other types of fraud (Para. 57);
- j) focus on prevention and deterrence as a cost-effective means of reducing fraud losses to protect public resources (Para. 80);
- k) focus more on recovering losses from fraud, using legislation such as the Proceeds of Crime Act (Para.114); and
- l) take up the Commission's offer of receiving a fraud briefing to help them benchmark their performance and promote greater transparency and accountability (Para. 129).

The government should consider:

- m) mandating local government bodies to complete the annual survey of detected fraud and corruption, to ensure it remains a comprehensive and robust source of data on fraud in the local public sector (Para. 125);
- n) extending the requirement to report information on detected cases of fraud to academies and free schools (Para. 48);
- o) commissioning research into the extent of the annual loss to local authority fraud and the costs and benefits of fraud prevention activities (Para. 83);
- p) encouraging CIPFA to use the detected fraud and corruption survey in the future to investigate the extent to which fraudsters use digital and on-line technology to defraud local government (Para. 85);
- q) extending powers for councils to investigate all frauds, to protect the public purse (Para. 91); and
- r) working with councils to anticipate and mitigate any unintended risks of fraud created by new policies (Para. 42).

Chapter 1: Introduction

This is the last report in the *Protecting the public purse (PPP)* series from the Audit Commission before it closes at the end of March 2015.

1 The first series of *PPP* reports ran from 1991 to 2000. After a gap of nine years, we relaunched the series following requests from local government bodies. Since then, we have reported figures on fraud detected by those organisations each year.

2 As in earlier reports, *PPP 2014* describes year-on-year changes in cases and values of detected fraud, based on the Commission's annual survey of local government bodies. As it is the last report in this series, it also describes trends in the past five years, and draws on the learning from the Commission's 25-year experience in counter-fraud in local government.

3 *PPP 2014* aims to inform the development of effective counter-fraud in local government after the Commission closes. It is designed for those responsible for governance in local government, particularly councillors, and describes:

- the amount of detected fraud reported by local government bodiesⁱ in 2013/14, compared with 2012/13 (Chapter 2);
- longer term trends (up to 25 years) in levels of detected fraud, and the lessons local government bodies can draw from this information (Chapter 3);
- the effective stewardship of the public purse, including taking measures to recover losses from fraud (Chapter 4); and
- measures to build on *PPP*'s legacy, so that local government bodies can continue to protect the public purse (Chapter 5).

ⁱ For the purposes of this survey we define fraud as an intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss. We include cases where management authorised action has been taken including, but not limited to, disciplinary action, civil action or criminal prosecution.

4 Appendices to this report contain:

- data tables of detected frauds and losses by region (Appendix 1);
- an updated counter-fraud checklist for those responsible for governance (Appendix 2); and
- case studies highlighting use of legislation, in particular the Proceeds of Crime Act, to recover monies from fraudsters (Appendix 3).

5 Each *PPP* report has identified the scale of detected fraud and the damage it causesⁱ.

The scale and impact of fraud

- Local government fraud involves substantial loss to the public purse. The most recent estimate of the annual loss to local government was £2.1 billion, excluding benefit fraud (Ref.1).
- This almost certainly underestimates the true cost of fraud. For example, it does not include fraud in major services such as education and social care.
- Each pound lost to fraud represents a loss to the public purse and reduces the ability of local government bodies to provide services to people who need them. Fraud is never a victimless crime.

Source: Audit Commission

The changing counter-fraud landscape

6 When the Commission closes, its National Fraud Initiative (NFI) data matching service will transfer to the Cabinet Office. The remaining counter-fraud functions of the Commission will transfer to the new Counter Fraud Centre, launched in July 2014 by the Chartered Institute of Public Finance and Accountancy (CIPFA).

7 The CIPFA Counter Fraud Centre will also publish the next *Fighting Fraud Locally* strategy for local government, following the closure of the National Fraud Authority (NFA) in March 2014. However, there are no arrangements to continue the NFA's *Annual Fraud Indicator*, in particular, which is the annual estimate of the level of fraud committed against local authorities.

i Audit Commission reports can be obtained through this link: <http://www.audit-commission.gov.uk/information-and-analysis/national-studies/>

8 Other changes include the creation of the National Crime Agency, established in 2014, which has taken over some of the activities previously carried out by the Serious and Organised Crime Agency (SOCA).

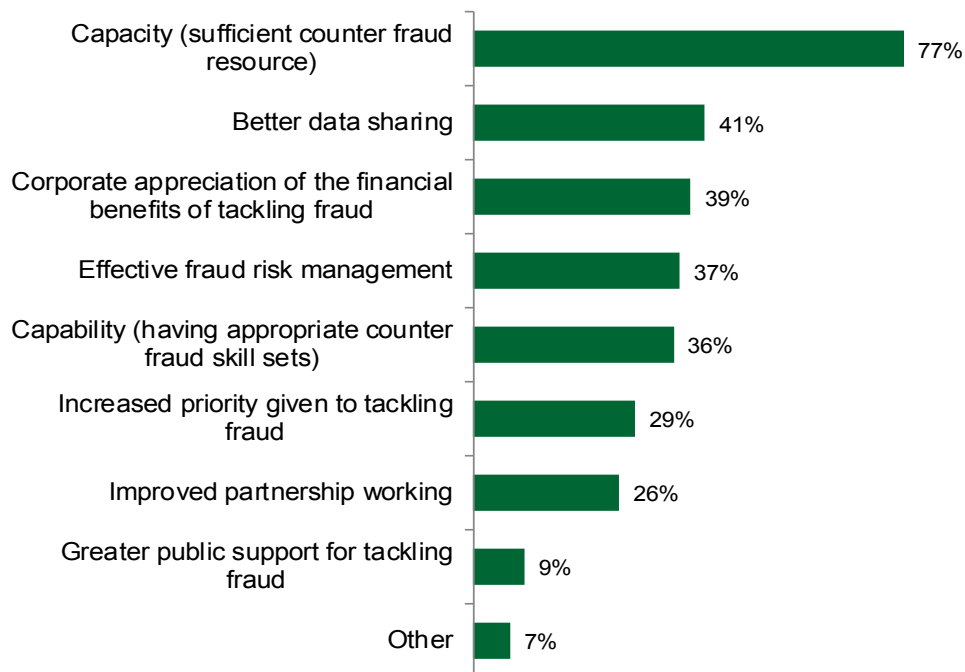
9 For councils, the most important change in their counter-fraud arrangements is the transfer of most of their benefit fraud investigators to the Single Fraud Investigation Service (SFIS), which is managed by the Department for Work and Pensions (DWP). The transition to the SFIS began in July 2014 and will be complete by March 2016.

10 The Department for Communities and Local Government (DCLG) has awarded £16 million through a challenge fund for two years from 2014. Councils whose bids were successful will receive a share of this fund to support their efforts to refocus their counter-fraud activities on non-benefit fraud during the implementation of the SFIS. Similar funding may not be available to councils in the future.

The main issues councils face in tackling fraud

11 Because of these changes, the 2014 survey asked councils to identify the top three issues they face in tackling fraud. Councils report that the single most important issue is the need to ensure they have enough counter-fraud capacity (Figure 1).

Figure 1: **Main issues faced by councils in tackling fraud**



Source: Audit Commission (2014)

Top 3
issues for
councils:
capacity, data-
sharing and
corporate
recognition of
the financial
benefits of
tackling fraud

12 In the survey, councils identified other concerns that indicate a need for a more effective corporate approach to fighting fraud. These include:

- collecting and using data effectively;
- understanding the importance of the financial benefits of fighting fraud;
- the need for effective risk management;
- improving counter-fraud staff skills; and
- partnership working.

13 *PPP 2014* addresses all these issues. Chapter 2 sets out the scale of the fraud they relate to, and how this has changed since 2012/13.

Chapter 2: The latest figures on detected fraud in councils

Local government bodies detected fewer cases of fraud in 2013/14 compared with the previous year, continuing the decline noted in *PPP 2013*. However, the value of losses from detected fraud increased.

14 Each *PPP* report draws on data collected by the Commission's annual survey of detected fraud in local government bodies. *PPP 2014* uses data from the 2014 survey, which covered the 2013/14 financial year.

15 The latest survey achieved a 100 per cent response rate, with responses from 494 local government bodiesⁱ. These results:

- map the volume and value of different types of detected fraud;
- provide information about emerging and changing fraud risks; and
- help to identify good practice in tackling fraud.

16 Local government bodies detected fewer frauds in 2013/14 (just over 104,000) compared to the previous year (just under 107,000) (Table 1). The value of fraud detected in 2013/14 increased over the previous year, rising from £178 million to £188 million.

100% of
local
government
bodies
surveyed for
PPP 2014
responded

**£188
million,**
of local
government
fraud detected
in 2013/14, the
highest value
on record

ⁱ All English principal councils, local authorities for parks, waste, transport, fire and rescue, and Police and Crime Commissioners are required to complete the survey.

Table 1: **Cases and value of detected fraud, excluding tenancy fraudⁱ - Change between 2012/13 and 2013/14**

Type of fraud	For detected fraud in 2013/14 (excludes tenancy fraud)	For detected fraud in 2012/13 (excludes tenancy fraud)	Change in detected fraud 2012/13 to 2013/14 (%)
Total fraud			
Total value	£188,249,422	£177,966,950	+6
Number of detected cases	104,132	106,898	-3
Average value per case	£1,808	£1,665	+9
Housing and council tax benefitⁱⁱ			
Total value	£128,973,530	£120,100,854	+7
Number of detected cases	46,690	46,964	-1
Average value per case	£2,762	£2,557	+8
Council tax discounts			
Total value	£16,895,230	£19,567,665	-14
Number of detected cases	49,428	54,094	-9
Average value per case	£342	£362	-6
Other frauds			
Total value	£42,380,662	£38,298,431	+11
Number of detected cases	8,014	5,840	+37
Average value per case	£5,288	£6,558	-19

Source: Audit Commission

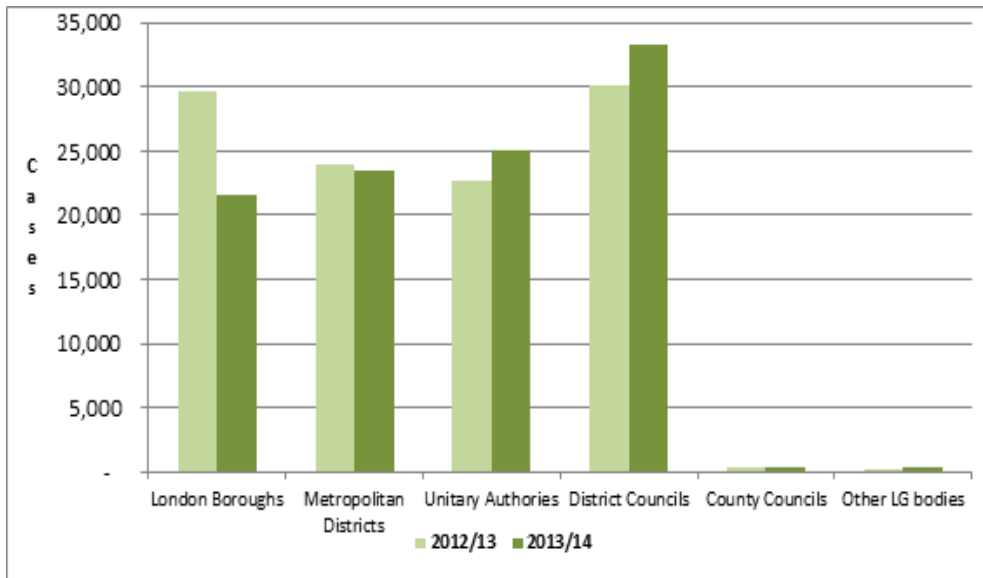
ⁱ We report housing tenancy fraud in Table 3.

ⁱⁱ In April 2013, the government introduced Council Tax Reduction, to replace Council Tax Benefit (CTB). Council Tax Reduction is not a benefit, but to aid year-on-year comparisons, it is included in housing benefit and council tax benefit fraud figures for 2013/14.

17 The 3 per cent reduction in the total number of cases of detected fraud over the previous year was not uniform across councils. It is largely due to falls in London boroughs and metropolitan districts. Unitary authorities and district councils detected more fraud in 2013/14 than the previous year (Figure 2).

Figure 2: **Detected fraud cases**

Comparison by local government organisation 2012/13 and 2013/14

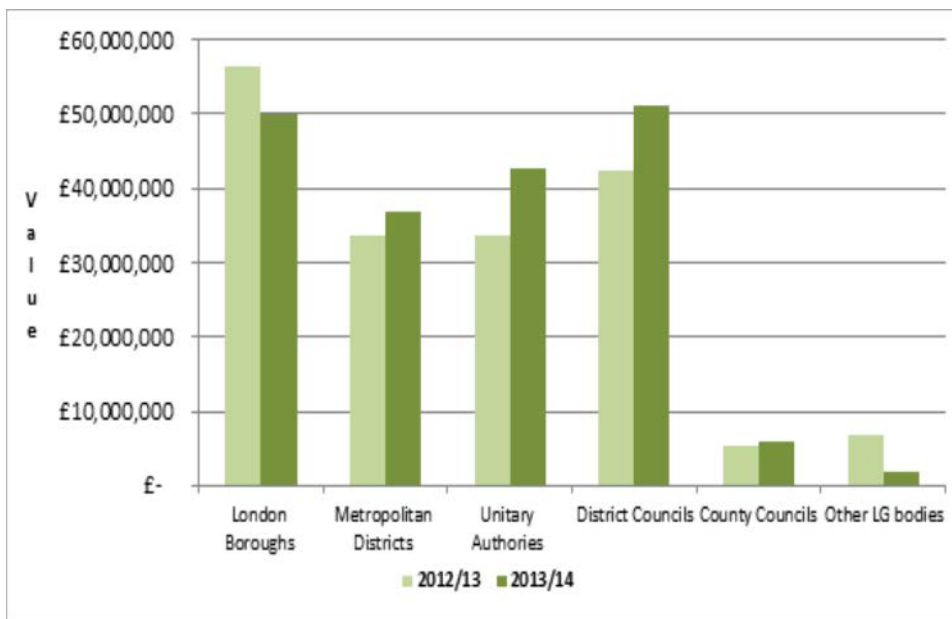


Source: Audit Commission (2014)

18 A similar picture emerges for changes in the value of detected frauds. This has increased by 6 per cent overall, from £178 million to £188 million, but varies across council types (Figure 3).

Figure 3: **Detected fraud by value**

Comparison by local government organisation in 2012/13 and 2013/14



Source: Audit Commission (2014)

19 The value of detected fraud rose in metropolitan district councils, unitary authorities, district councils and county councils compared with the previous year. It fell in London boroughs by 11 per cent.

Benefit fraud

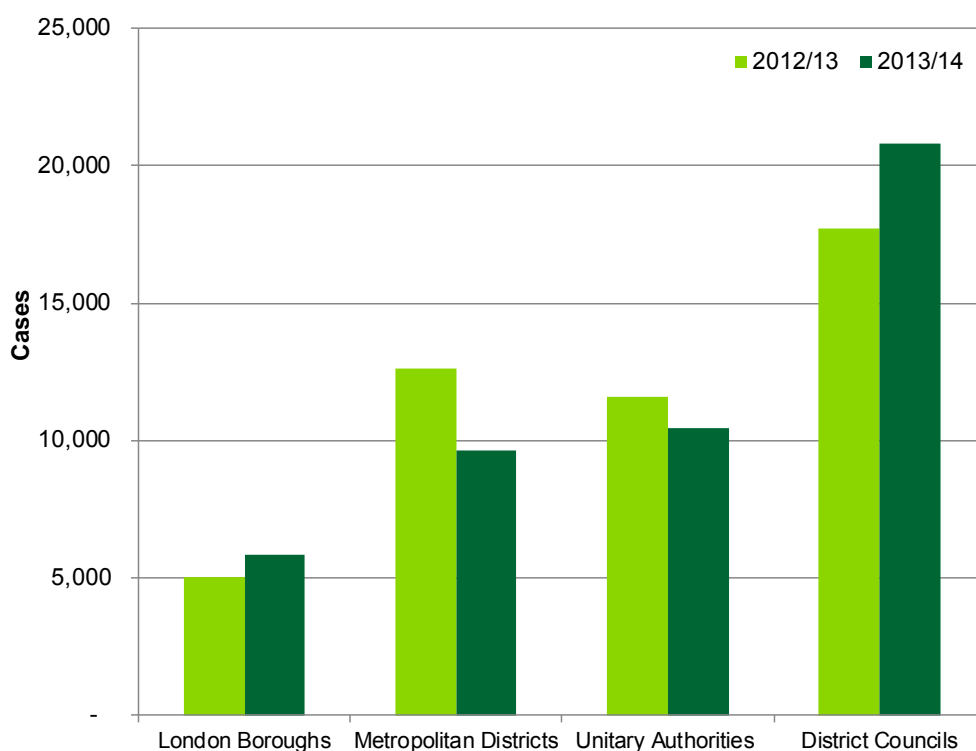
20 In 2013/14, housing benefit and council tax benefit frauds comprised 45 per cent of all fraud cases, but accounted for 69 per cent of the value of all detected frauds.

21 In 2013/14, district councils detected 20,798 benefit fraud cases; an increase of 17 per cent compared to the previous year (Figure 4). They detected not just the highest total overall compared with other councils, but also the highest as a proportion of their benefit caseloads (1.6 per cent). In contrast, London boroughs recorded both the lowest overall number of detected cases of benefit fraud (despite a rise of 16 per cent over the previous year) and the lowest as a proportion of their caseload, at 0.7 per cent.

17% rise
in the number
of cases of
benefit fraud
detected by
district
councils

Figure 4: **Detected benefit fraud cases**

Comparison of council types in 2012/13 and 2013/14



Source: Audit Commission (2014)

22 Both metropolitan district councils and unitary authorities reported substantially fewer cases of benefit fraud than the previous year; down 24 per cent and 10 per cent respectively. Each detected around the same proportion of their overall caseload, at 0.9 per cent and 1.0 per cent respectively.

Non-benefit fraud

23 Table 2 highlights the largest frauds in the 'other' group in Table 1, which between them account for £36.5 million of the £188.2 million detected by councils in 2013/14.

Table 2: **Other frauds against councils in 2012/13 and 2013/14**

Fraud type	Number of cases 2013/14	Value 2013/14 (£ million)	Number of cases 2012/13	Value 2012/13 (£ million)	Change in case number 2012/13 to 2013/14 (%)	Change in case value 2012/13 to 2013/14 (%)
Right to Buy	193	12.4	102	5.9	+89	+110
Social care	438	6.3	200	4.0	+119	+58
Insurance	226	4.8	74	3.0	+205	+60
Procurement	127	4.4	203	1.9	-37	+132
Abuse of position	341	4.0	283	4.5	+20	-11
Disabled parking concessions (Blue Badge)	4,055	2.0	2,901	1.5	+40	+33
Business rates	84	1.2	149	7.2	-44	-83
Payroll	432	1.4	319	2.4	+35	-42

Source: Audit Commission (2014)

24 Care is needed in interpreting these results, as annual percentage changes in value can be affected by a few very costly frauds in either year. For example, the value of business rates fraud fell by 83 per cent, largely because there was an unusually high value (£5 million) single fraud in one council in 2012/13. Procurement fraud is another example of a few costly frauds; cases have fallen by over a third (37 per cent), but their value has more than doubled (132 per cent).

25 Taken together, the number of cases of non-benefit fraud in Table 2 has risen by 39 per cent between the two years, while their overall value has risen by 20 per cent.

26 In 2013/14, the largest non-benefit frauds by value were for:

- Right to Buy – this fraud has seen a marked increase in cases (up 89 per cent) and a more than doubling in value to £12.4 million (up 110 per cent);
- social care – cases have more than doubled to 438 (up 119 per cent) and their value has increased by more than half (58 per cent) to £6.3 million;
- insuranceⁱ – cases have more than tripled (up 205 per cent) and their value has risen by more than half (60 per cent) to £4.8 million; and
- disabled parking (also known as ‘Blue Badge’ fraud) – as in 2012/13, this produces the largest number of “other” cases, and in 2013/14, cases increased by 40 per cent to 4,055 with a value of £2 million.

205%
increase in the
number of
cases of
insurance
fraud for
2013/14 worth
£4.8 million

ⁱ This fraud arises most commonly from members of the public who make false claims for compensation for accidents (known as ‘trips and slips’).

Housing tenancy fraud

27 The number of social homes recovered from tenancy fraudsters increased by 15 per cent in the last year (Table 3).

Table 3: Detected tenancy fraud by region

2012/13 to 2013/14

Region	Number of properties in housing stock (% of national housing stock)	Number of properties recovered in 2013/14	Number of properties recovered in 2012/13	Percentage change in the number of properties recovered 2012/13 to 2013/14
London	419,238 (25)	1,807	1,535	+18
West Midlands	208,740 (12)	425	416	+2
South East	174,313 (10)	129	132	-2
East of England	159,216 (9)	187	133	+41
East Midlands	182,950 (11)	136	102	+33
Yorkshire & the Humber	234,335 (14)	140	108	+30
South West	100,867 (6)	111	56	+98
North East	112,444 (7)	59	34	+74
North West	109,045 (6)	36	126	-71
Total	1,701,148 (100)	3,030	2,642	+15

Source: Audit Commission (2014)

28 All but two regions detected more tenancy frauds in 2013/14 than in the previous year. The exceptions were the North West, where councils detected 71 per cent fewer cases, and the South East, where councils detected slightly fewer cases (down 2 per cent).

Organised and opportunistic fraud

29 The 2013/14 survey asked councils to indicate the extent to which they believed fraud was due to organised criminal activity, rather than to individuals acting alone. The survey used the National Crime Agency definition of organised crime as ‘crime planned, coordinated and conducted by people working together on a continuing basis. Their motivation is often, but not always, financial gain’ (Ref. 2).

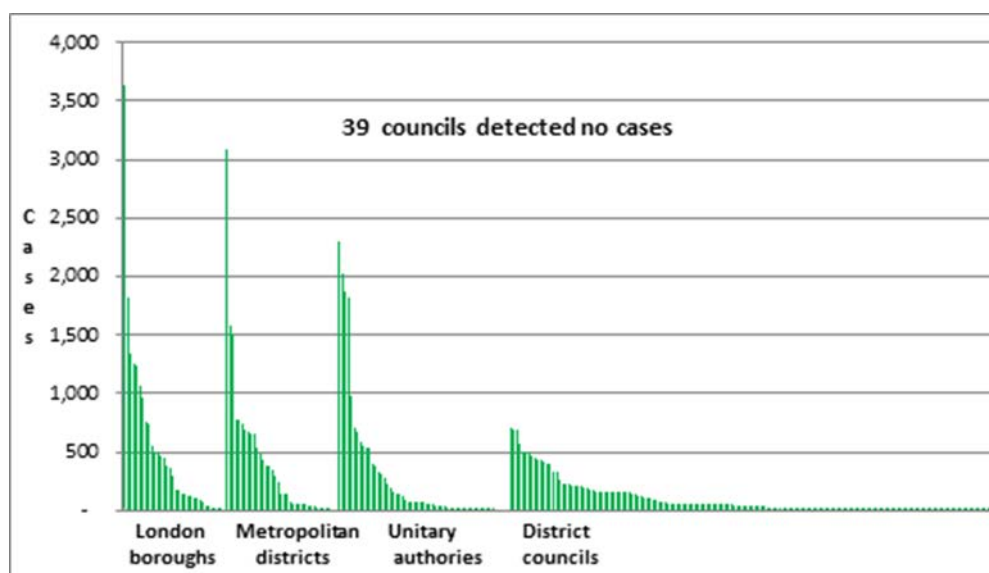
30 Only 32 of 353 councils reported frauds they believed were linked to organised crime. They were most likely to detect the involvement of organised crime in housing benefit (11 councils), which probably reflects the greater number of detected frauds in this category.

31 These results suggest that organised criminals do not commit much fraud against councils. Most local authority fraud investigators believe that opportunistic fraudsters pose the greatest risk. However, there is growing concern about organised criminals tendering for public service contracts, for example, to launder money (Ref. 3, p 55). Councils should be alert to the risk of organised crime and ensure their defences remain appropriate for the task.

Failing to detect fraud

32 In *PPP 2013* (Ref. 4), we reported that 79 district councils had not detected a single non-benefit fraud, compared with only 9 councils among London boroughs, metropolitan districts and unitary authorities combined. In 2013/14, the equivalent figures were 35 district councils 3 unitary authorities and 1 metropolitan district (Figure 5)ⁱ.

Figure 5: **Number of detected non-benefit cases by council type (excluding county councils) in 2013/14**



Source: *Audit Commission (2014)*

33 While it is encouraging that the number of councils that did not detect any non-benefit fraud has fallen by half, it remains disappointing that 39 councils failed to detect any non-benefit fraud. 21 district councils and one unitary authority reported no detected non-benefit frauds in both years. Our experience suggests it is extremely unlikely that no non-benefit fraud was committed against them.

34 Year-on-year trends help local government bodies manage current fraud risks. Longer term trends better enable them to understand whether they are matching their resources to risks effectively. Chapter 3 covers fraud detection over the medium to long terms.

39 councils
did not report
any detected
cases of non-
benefit fraud in
2013/14, less
than half the
number of the
previous year

ⁱ Figure 5 excludes county councils as they do not provide high-volume services such as council tax.

Chapter 3: Longer term trends in frauds detected by councils

Trends in detected fraud since 1991 show how councils have changed the way they tackle fraud in response to changing national policies and incentives. This chapter draws on the learning from the Commission's 25 years' experience in counter-fraud.

35 This chapter considers trends in detected fraud over the last 25 years, with more detailed information about the last five years from 2009/10 to 2013/14. It also highlights how the Commission's approach to tackling tenancy fraud could be applied in other areas, where risks are growing.

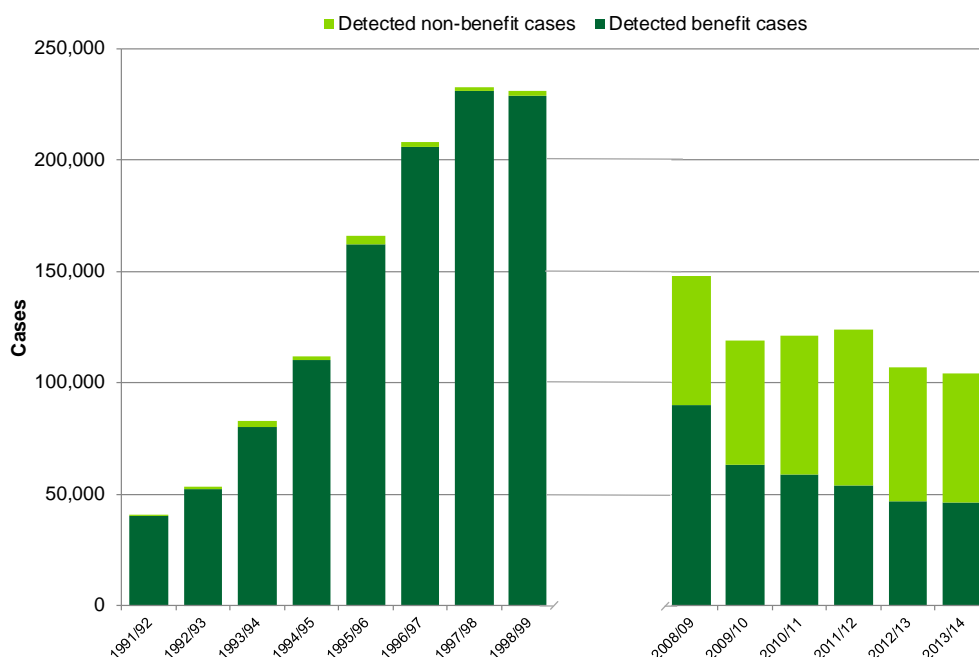
The shift in focus from benefit fraud to non-benefit fraud

36 Between 1991 and 2000, councils prioritised detecting benefit fraud. In 1991, only 2 per cent of cases of detected fraud related to non-benefits. When the *PPP* series restarted in 2009, nearly two in five (39 per cent) of all cases detected were of non-benefit fraud. By 2013/14, this had risen to over half (56 per cent) of all frauds detected (Figure 6)

**In the last
5 years, the
focus has
shifted from
benefit to non-
benefit fraud**

Figure 6: **The shift from benefit to non-benefit fraudⁱ**

Detected cases 1991/92 to 2013/14



Source: Audit Commission (2014)

37 In 1993, the government introduced Weekly Benefit Savings (WBS), which created an incentive for councils to focus on benefit fraud. WBS ceased in 2002 and its replacement – Security Against Fraud and Error (SAFE) – ended in 2006ⁱⁱ. This removed a direct financial incentive for councils to focus on benefit fraud.

38 The transition to the SFIS in 2016 means, from that year, councils will focus solely on non-benefit fraud. Some councils, particularly small and medium-sized organisations, have traditionally relied on benefit fraud investigators to tackle non-benefit frauds. It is unclear if these councils, and some others, will be able to refocus their efforts and resources on non-benefit frauds once the SFIS is in place.

39 From 2009, *PPP* reports contained information about a wider range of non-benefit frauds than the earlier series, such as fraud detected within procurement or social care. This was to help local government bodies better understand the extent of the risks they face.

ⁱ Data are not available from 1999/2000 to 2007/08 because *PPP* did not operate in this period.

ⁱⁱ Under WBS, councils received funding, or were penalised, depending upon their achieving baseline levels of detected benefit fraud set by the government. Under SAFE, councils received additional funding based on the number of prosecutions and sanctions.

40 Table 4 provides further information about the more recent history of the detected cases and values of these non-benefit frauds. Between 2009/10 and 2013/14, the main findings are that:

- councils have consistently detected more council tax discount fraud than any other type of non-benefit fraud (nearly 50,000 cases in 2013/14);
- council tax discount frauds have the lowest average value of all non-benefit frauds (£342 in 2013/14), but the scale of fraud in this area means they generate the biggest losses – £16.9 million in 2013/14;
- detected Right to Buy fraud cases have substantially increased in the last two years to 193 in 2013/14. Because their average value is over £64,000, they generate substantial losses of £12.4 million in that year;
- the number of detected cases of social care fraud more than trebled over the period to 438. With an average value in 2013/14 of £14,297, they account for £6.3 million in losses;
- the number of detected business rates frauds has fluctuated, rising from only 29 in 2009/10 to 319 in 2011/12 and then declining to 84 in 2013/14ⁱ; and
- the number of detected cases of insurance fraud similarly fluctuated over the last five years, but in 2013/14 councils detected three times as many of these frauds as in 2009/10.

**Right to Buy
fraud cases
increased in
number by
over 400%
between April
2012 and
March 2014**

ⁱ This recent decline is unexpected, especially given the impact of the change in financial incentives from April 2013 for councils to tackle this fraud.

Table 4: **Cases and value (adjusted for inflation) of detected non-benefit fraud between 2009/10 and 2013/14**

		Council tax discount	Business rates	Right to Buy	Procurement	Insurance	Social care	Economic/ third sector	Blue badge
2013/14	Cases	49,428	84	193	127	226	438	36	4,055
	Value	£16,895,230	£1,220,802	£12,361,858	£4,437,965	£4,776,300	£6,261,930	£741,867	£2,027,500
	Average	£342	£14,533	£64,051	£34,945	£21,134	£14,297	£20,607	£500
2012/13	Cases	54,094	149	102	203	74	200	36	2,901
	Value	£19,905,056	£7,348,809	£5,959,424	£1,910,317	£3,026,996	£4,040,356	£1,299,707	£1,475,510
	Average	£368	£49,321	£58,426	£9,410	£40,905	£20,202	£36,103	£509
2011/12	Cases	60,891	319	38	187	132	122	45	4,809
	Value	£21,338,364	£2,651,726	£1,219,439	£8,297,496	£2,107,680	£2,216,681	£1,808,287	£2,472,366
	Average	£350	£8,313	£32,090	£44,372	£15,967	£18,170	£40,184	£514
2010/11	Cases	56,198	319	49	145	149	102	51	3,007
	Value	£23,599,729	£6,010,804	£1,090,538	£15,314,712	£3,905,680	£2,333,326	£1,361,079	£1,580,820
	Average	£420	£18,843	£22,256	£105,619	£26,213	£22,876	£26,688	£526
2009/10	Cases	48,253	29	34	165	72	131	47	4,097
	Value	£16,412,858	£660,891	£739,881	£2,962,701	£3,077,562	£1,534,013	£968,077	£2,210,152
	Average	£340	£22,789	£21,761	£17,956	£42,744	£11,710	£20,597	£539

41 Councils have to be alert to both the intended and unintended consequences of government policies. Some are directly intended to change local practice, such as the introduction of the SFIS. Others create new services or means of delivery that may produce unintended incentives and opportunities for fraudsters, such as raising the discount threshold for Right to Buy.

42 Central and local government can work together to anticipate and mitigate the risks of fraud created by new policies. This helps councils to adapt their counter-fraud approach to meet both intended and unintended consequences of government policies.

43 Frauds committed in schools and those committed by staff are included in all fraud categories. For this reason, we do not identify them separately in Table 4, but give more information in the following sections.

Internal fraud

44 Since 2009/10, councils have detected broadly similar numbers of internal fraud, although their values have fluctuated. In 2013/14, councils detected nearly 1,500 cases of this type of fraud, generating £8.4 million in losses (Table 5).

£8.4 million of internal fraud detected by councils

Table 5: **Detected cases and values of internal (staff) fraudⁱ**
2009/10 to 2013/14

Financial year		Cases and values (and as a % of total for each)
2013/14	Cases	1,474 (1.4%)
	Value	£8.4m (4.5%)
	Average	£5,750
2012/13	Cases	1,315 (1.2%)
	Value	£16.8m (9.3%)
	Average	£12,751
2011/12	Cases	1,459 (1.2%)
	Value	£15.9m (8.8%)
	Average	£10,917
2010/11	Cases	1,581 (1.3%)
	Value	£20.5m (10.5%)
	Average	£12,969
2009/10	Cases	1,659 (1.4%)
	Value	£8.6m (5.9%)
	Average	£5,207

Source: Audit Commission (2014)

ⁱ Total and average fraud values for years between 2009/10 and 2012/13 are adjusted for inflation using HM Treasury's GDP Deflator. These values will thus differ from those in previous PPP reports.

Fraud in maintained schools

45 Schoolsⁱ can be defrauded by those working in them, for example, staff who embezzle school funds, commit payroll fraud, or who claim false expenses. Externally, schools may be victims of procurement fraud and mandate fraudⁱⁱ, among other types.

46 In 2013/14, we report a total of 206 cases of schools fraud worth £2.3 million. This is an 8 per cent increase in cases over the previous year, and a less than 1 per cent increase in value (Table 6).

Table 6: **Detected fraud in maintained schools**

Change from 2012/13 to 2103/14

Fraud in maintained schools	2013/14	2012/13	Percentage change 2012/13 to 2013/14
Total value	£2,330,416	£2,323,856	+1
Number of detected cases	206	191	+8
Average value per case	£11,313	£12,167	-7

Source: Audit Commission (2014)

47 Of these frauds, over half (54 per cent) of cases and nearly two-thirds (62 per cent) of the value involved fraud by staff. These are substantially higher proportions than in other local government services. These findings are similar to those in *PPP 2013*, which suggests that schools may have weaker governance arrangements and less effective controls than larger organisations to detect and prevent fraud.

48 It is important for maintained schools to continue to report the number and value of detected fraud to keep focus on this issue. The Commission would like to see similar transparency across all non-maintained schools to protect the public purse. The risk of fraud in non-maintained schools is becoming more apparent (Ref. 5).

49 The CIPFA Centre for Counter Fraud has recently published good practice guidance on tackling schools fraud (Ref. 6).

ⁱ In our annual fraud survey, we only collect data from maintained schools. Free schools, foundations and academies are outside the Commission's remit.

ⁱⁱ Mandate fraud is where fraudsters divert payments, by deception, from the bank account of legitimate companies into the fraudster's own bank account.

Councils report a rise of 8% in the value of fraud detected at maintained schools

Councils' response to national policies

50 The unintended consequence of some changes in government policy is to make some frauds more attractive to fraudsters. In *PPP 2012*, for example, we suggested that significant increases in the Right to Buy discount implemented in that year is likely to increase the financial incentive to commit fraud in this area.

51 Table 4 shows that councils detected nearly six times as many Right to Buy frauds in 2013/14 as in 2009/10. From April 2012, the government brought in measures to encourage tenants to use the Right to Buy scheme. These included relaxing the qualifying rules and raising the discount threshold, which will rise in line with inflation.

52 These changes encouraged substantially more Right to Buy applications. They also led to more detected frauds. Between April 2012 and March 2014, councils detected 295 cases, a 144 per cent increase over the three years before.

53 Social care provides another example of the effect of national policies. Since 2007, the government has consistently aimed to give people more choice and control over the social care they receive, and to enable them to live independently at home for as long as possible (Ref. 7).

54 The policy of more choice and local control has, however, changed the scale of the fraud risks councils face. Cases of detected social care fraud increased from 131 in 2009/10 to 438 in 2013/14. In 2013/14, however, a majority of all councils except London boroughs did not detect a single social care fraud (Table 7).

Changes in government policy can have unintended consequences

Table 7: **Councils reporting no detected social care fraud in 2013/14**

Council type	Proportion not reporting any detected social care fraud
Unitary authorities	62%
Metropolitan districts	53%
County councils	52%
London boroughs	39%

Source: Audit Commission (2014)

55 Councils are detecting more cases of detected fraud in social care (see Table 4). This suggests that the risks of fraud in this service are growing, and also that some councils are taking this risk seriously. If all councils did so, the number of detected cases might rise further.

56 More research is needed to identify the nature and quantify the extent of frauds in education and social care, which together account for 62 per cent of all councils spending in 2012/13 (excluding benefit payments) (Ref. 8, Figure 1, page 2). Similarly, more research would also help councils to quantify the extent of fraud in business rates, for which they collected £21.9 billion in 2012/13 (Ref. 9, Para.1).

57 The increased detection of housing tenancy fraud provides a good example of the benefits greater information and attention brings. Since 2009, tenancy fraud has been a regular focus of *PPP* reports. We believe that councils can apply the learning from our approach to tenancy fraud to new and emerging fraud threats.

Housing tenancy fraud

58 Tenancy fraud is now recognised as the second largest area of annual fraud loss in English local government, valued at £845 million. There is a further £919 million of annual loss to housing associations (Ref. 1).

59 *PPP*'s focus on tenancy fraud shows the benefit of regular reporting on rates of detected fraud, combined with supporting research. This approach has produced more reliable estimates of the extent and value of this type of fraud. It has also challenged myths and misconceptions about tenancy fraud and encouraged organisations to work together to share innovative approaches to tackling it. Similar action would help councils to tackle other types of fraud.

60 Prior to 2009, there was no national estimate of the scale of tenancy fraud, or of the value of a social home recovered from a fraudster, and no regional information on detection. Some social housing providers were reluctant to recognise this type of fraud, on the grounds that as long as the fraudster occupying the property was paying rent, they suffered no financial loss.

61 This encouraged many myths to build up, for example, that tenancy fraud was only a problem in London. This led some councils outside the capital to conclude they did not need to take any action to prevent or detect it.

62 The Commission published the first robust research in the UK that challenged such myths. *PPP* reports contained good practice examples of social housing providers within and outside the capital that had increased cases of detected tenancy fraud.

63 We published a cautious estimate of the extent of tenancy fraud in *PPP 2009* (updated in *PPP 2012*), which is widely accepted across England. Our research was used as the principal evidence base for a new offence specific to tenancy fraud, contained in the Prevention of Social Housing Fraud Act 2013.

At £845 million, tenancy fraud represents the second largest yearly loss to councils from fraud

64 Above all, we worked in partnership with key stakeholders, such as the Chartered Institute of Housing (CIH), the National Fraud Authority and the national Tenancy Fraud Forum, to identify and promote good practice and to encourage councils and housing associations to work together to fight fraud.

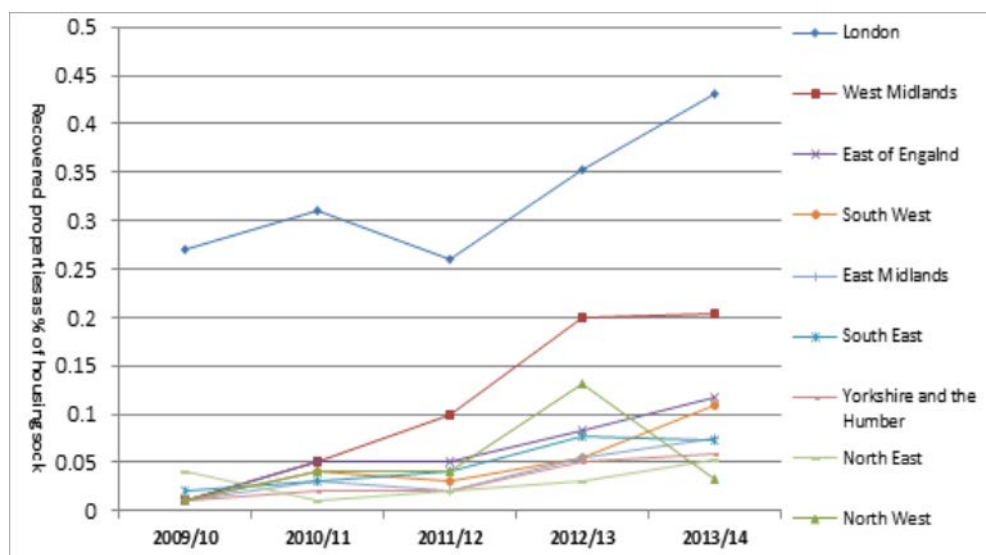
65 We believe that this approach helped to publicise the issues and encouraged social housing providers to combat tenancy fraud more effectively. Between 2009/10 and 2013/14, the total number of detected cases of housing tenancy fraud increased by 92 per cent.

66 The rate of improvement outside London has been substantial: in 2009/10, these councils only recovered 228 properties, but in 2013/14, this had risen to 1,223, an increase of 436 per cent.

67 Between 2009/10 and 2013/14, while the overall trend of recovery increased, the rate of recovery was uneven across regions (Figure 7).

436%
increase in
properties
recovered,
from housing
tenancy
fraudsters,
outside of
London in the
last five years

Figure 7: **Recovered properties as a proportion of council housing stock in each region 2009/10 to 2013/14**



Source: Audit Commission (2014)

68 London has consistently detected the most tenancy frauds, measured as a proportion of total housing stock. The North West now detects proportionately the fewest tenancy frauds, which is the result of a decline in the last year. Had councils in this region maintained the same rate of detection as a proportion of their housing stock as in 2012/13, around 90 additional homes would have been available for families on the waiting list.

69 If all councils assigned resources to tackle tenancy fraud proportionate to their total stock, and adopted recognised good practice, then regional detection rates should be broadly similar. The fact they are not suggests that some councils can raise their performance.

70 In 2014, the Chartered Institute of Housing published updated good practice on tackling tenancy fraud (Ref. **10**).

71 The Commission reports detection rates by councils and Arm's Length Management Organisations only. Information from housing associations is not universally available. However, as previous *PPP* reports have shown, some housing association partnerships have made good progress.

Case study 1

Tenancy Fraud Forum – partnership working

- The Gloucestershire Tenancy Fraud Forum (GTFF) was formed in 2012 by seven social housing providers in the local area (Cheltenham Borough Homes, Gloucester City Homes, Severn Vale Housing Society, Two Rivers, Rooftop Housing Group, Stroud District Council and Guinness Hermitage). Prior to forming GTFF, individual member organisations detected few tenancy frauds.
- From 2012, GTFF members started sharing good practice, carrying out joint staff training and in particular undertook a local media-based awareness raising campaign. This resulted in a large increase in reports of suspected tenancy fraud.
- Following the campaign, GTFF recovered 107 homes from tenancy fraudsters in 2013/14. To build an equivalent number of homes from new would have cost the public purse over £16 millionⁱ.

Source: Audit Commission (2014)

72 Some innovative housing providers used the launch of the 2013 Prevention of Social Housing Fraud Act as an opportunity to publicise their own tenancy fraud amnesties.

ⁱ In PPP 2011, we calculated the replacement cost of an average social housing unit to be £150,000.

Tenancy fraud amnesties

Tenancy fraud amnesties may have longer term benefits

73 Amnesty can be a useful option for social housing providers to recover properties from tenancy fraudsters. When implemented properly, they can have considerable impact at low cost.

74 In 2013, the London Borough of Camden offered an amnesty lasting two months. In this time, tenancy fraudsters could hand back the keys to properties they had unlawfully occupied or sub-let, without further action taken on cases that were not being prosecuted for other offences.

Fraudsters returned seven properties (with a replacement value of over £1 million) to the Council. This represented a good return on the £25,000 spent on publicising the amnesty. LB Camden recovered 103 properties subject to tenancy fraud in total during 2013/14.

75 The publicity had wider benefits. Prior to the campaign, the Council had received just six referrals from the public to its tenancy fraud hotline. In the two months during the campaign, it received 50 calls, with many more in the months that followed. The Council launched a number of investigations as a direct result of the increased hotline referrals and has so far recovered four more properties from these referrals with a further four pending prosecution.

76 The Peabody Housing Association saw similar benefits from an amnesty. In 2012, 40 properties were handed back to the Association. In 2013, it held a two-month amnesty, during which 42 properties with a replacement value of £6.3 million were returned. In the whole year, tenants handed back 130 properties, suggesting the amnesty possibly had a longer term effect.

77 The approach to housing tenancy fraud in *PPP* reports since 2009 illustrates how social housing providers can change their approach to fighting one type of fraud, based on robust information and greater transparency. Adopting a similar approach to other frauds would help them fulfil their duty to protect the public purse, which Chapter 4 explores in more detail.

Chapter 4: Effective stewardship of public funds

A corporate approach to tackling fraud in all areas supports councils to carry out the core functions of effective counter-fraud. This helps them fulfil their role as stewards of public resources, to the benefit of local and national taxpayers.

78 Councils are stewards of public funds and have a duty to protect the public purse from fraud. Better performing councils acknowledge this responsibility and put in place the core components of an effective corporate counter-fraud approach. These are contained in CIPFA guidance (Ref. **11**) and the government Fraud Review (Ref. **12**) and are:

- prevention and deterrence;
- investigation and detection; and
- sanction and redress (recovery of funds or assets).

79 Councils face a challenge in carrying out these functions as their funding declines. This chapter considers each component in more detail and highlights examples of good practice showing how councils can develop a long-term and sustainable approach to tackling fraud.

Prevention and deterrence

80 Investigating fraud can be expensive for councils. They also incur costs in prosecuting fraudsters and in attempting to recover money, which is not always successful. It is usually more cost-effective to prevent fraud than to take action afterwards.

81 In 2014, we asked over 200 fraud investigators and auditors from English local government how well their councils, or the councils they audit, prevent fraud. They believed that the strongest fraud prevention arrangements were found in housing benefits and council tax discounts, and the weakest in social care and schools.

82 Better performing councils learn from fraud investigations, and address the weaknesses that enabled the fraud to occur. Such councils strengthen fraud prevention arrangements as a result, including deterrence.

83 Some councils may be sceptical about the value of fraud prevention; for this reason, the sector would benefit from an agreed methodology to measure its cost-effectiveness. The government should commission such research.

84 Even where councils obtain no direct financial benefit from preventing frauds, they should still fulfil their duty to protect the public purse by pursuing fraudsters.

Case study 2

Fraud prevention - Right to Buy

- In 2014, Sandwell Metropolitan Borough Council successfully prosecuted two people for a fraudulent Right to Buy application worth nearly £50,000. The fraudsters initially claimed the Right to Buy discount in 2011, making false statements about their eligibility indicating they were sisters and stating they both lived at the address. Their initial claim was refused on the grounds of failing to comply with residency requirement.
- In 2012, the fraudsters again claimed the Right to Buy discount, and again supplied false information about their relationship. The fraud was initially identified through National Fraud Initiative data matches. This enabled the Council to stop the Right to Buy before the sale was processed.
- Subsequent enquiries by the Council established that the fraudulent tenant was falsely claiming benefits, stating that she was resident at other addresses, while still claiming to be a Sandwell resident.
- The fraudsters were found guilty under the Fraud Act and each given a 20 month custodial sentence. This is one of the first successful prosecutions of Right to Buy fraud outside London.

Source: Audit Commission (2014)

85 Councils increasingly use digital technology across services and functions. This reduces costs and can improve service quality, but also brings new fraud risks. Each year we adapt our annual fraud survey to gather new information about emerging fraud risks. The government should encourage the organisation carrying out the survey in the future, CIPFA, to investigate the extent to which fraudsters use digital and on-line technology to defraud local government.

86 Innovative councils also use technology to prevent and detect fraud:

Case study 3

Using technology to prevent fraud

- The London Borough of Southwark increased vetting checks at the point of application for a number of its services, to help protect valuable resources. The London Borough of Southwark is the third largest social landlord in the UK and has a large transient population.
- In 2013, The London Borough of Southwark implemented passport and identity scanners across the council at key customer contact points, including One Stop Shops, Housing Options and the Registrar's office. A mobile scanning system is also used by The London Borough of Southwark anti-fraud services and by council departments conducting specific projects. In total, 6,690 document scans were conducted in 2013/14, with 4 per cent requiring additional checks and verification as result.
- The London Borough of Southwark implemented additional verification checks on the council's waiting list, including veracity of application form information. This has reduced the number of accepted applications by 20 per cent. Additional verification checks have also been conducted on prospective tenants before they collect the keys to the tenancy. This prevented 12 per cent of all such allocations going to fraudsters.

Source: Audit Commission (2014)

87 Councils can deter people from committing fraud if they set out clearly what fraud is and make clear it is likely fraudsters will be caught and punished. Professional fraud investigators believe the prospect of detection is the most powerful deterrent to committing fraud. This supports the need for councils to maintain adequate investigative capacity in a period of financial restraint.

88 It is not currently possible to quantify accurately the financial benefit from deterring fraud. Councils can look to other indicators that may show its impact. The number of households claiming single person discount is one example, first highlighted in *PPP 2013* (Ref. 4).

89 One-third of households in England claim single person discount. Our research (Ref. 13) suggests that typically between 4 per cent and 6 per cent of households claiming single person discount do so fraudulently.

90 Between 2008 and 2013, the number of councils where 40 per cent or more households claimed single person discount reduced from 23 to 7. The council with the highest proportion of households claiming single person discount experienced a reduction in claims from 48 per cent to 41 per cent. One possible explanation for the decline in single person discount claims is the greater publicity from councils about this fraud in recent years.

4% to 6%
of council tax
single person
discount
claims are
typically
fraudulent

Investigation and detection

91 Fraud investigators have legal powers to investigate Council Tax Reduction frauds and housing tenancy frauds. The powers do not extend to other fraud types. This restricts their ability to investigate and detect fraud across all services, including social care and procurement. Councils need equivalent powers for all fraud types to protect the public purse effectively.

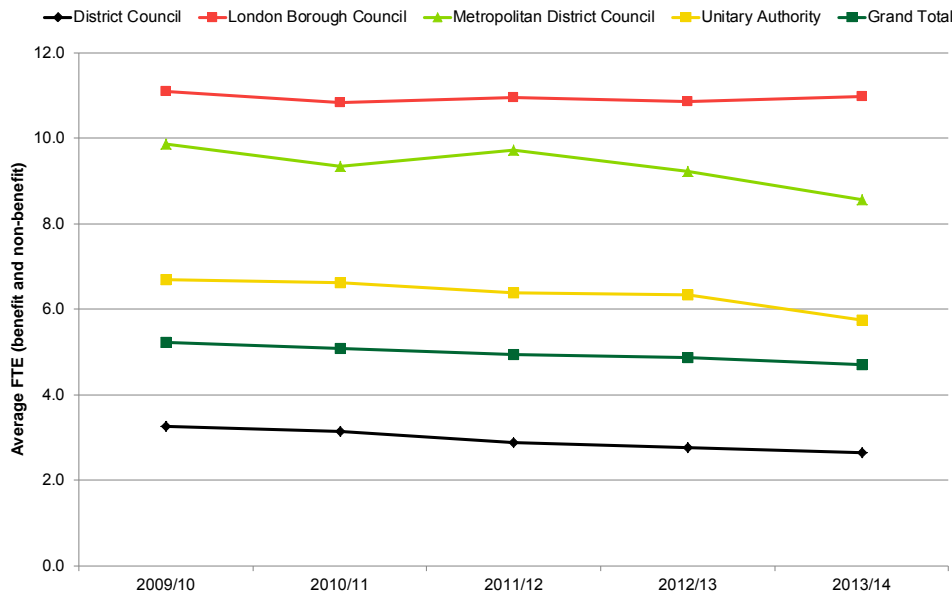
92 Over the past 25 years, councils have substantially increased the number of benefit fraud investigators they employ. Between 1994 and 1997, staff numbers rose from 200 to over 2,000 (Ref. 14). The government encouraged councils to enhance the skills and training of these new staff. In 1998, the DWP launched the Professionalism in Security (PINS) qualification and associated training for benefit fraud investigators.

93 *PPP 2013* (Ref. 4) reported a decline in detected fraud over the previous year; the first such fall since 2009. That report suggested further research to see whether falls in detection were linked with changes in councils' investigative capacity. Since 2010, councils have cut total staff numbers in response to reduced incomeⁱ (Ref. 15).

ⁱ Across the United Kingdom, full-time equivalent staff numbers employed by local government fell from 2,160,000 in 2010 (Quarter 1) to 1,787,000 in 2014 (Quarter 1), a fall of 21 per cent.

94 Between 2009/10 and 2013/14, the mean average number of full-time equivalent (FTE) fraud investigators employed by councils declined steadily from 5.2 to 4.7, a fall of 10 per cent (Figure 8).

Figure 8: Average numbers of FTE fraud investigators, by council type 2009/10 to 2013/14



Source: Audit Commission (2014)

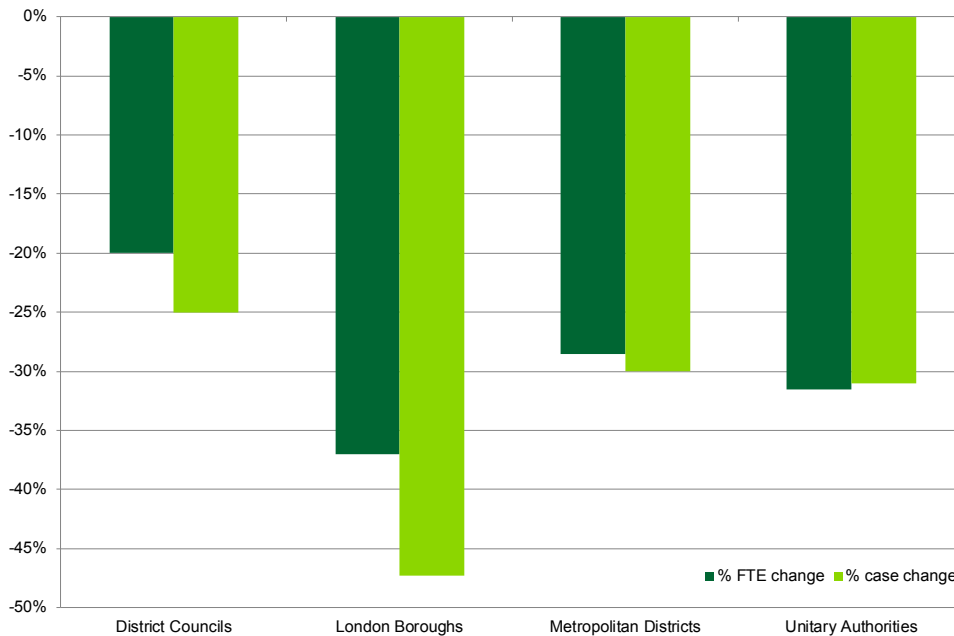
95 London councils employ the most investigators and have seen little change at around 11 FTE staff over the whole five years. District councils have employed the fewest fraud investigators, and have seen their average FTE numbers reduce by 19 per cent, with unitary authorities and metropolitan districts reducing by 14 per cent and 13 per cent respectively.

96 We wanted to investigate whether annual changes in staff numbers are associated with changes in the numbers of reported detected benefit and non-benefit fraud in each year within this period.

97 Not enough councils reported separate staff numbers for non-benefit fraud staff to enable analysis of this type of fraud. For benefit fraud, all council typesⁱ saw a substantial reduction in both FTE staff numbers and detected benefit fraud cases (Figure 9).

Figure 9: **Councils' capacity to detect benefit fraud**

Changes in median benefit fraud FTE numbers and detected benefit fraud cases in 2009/10 and 2013/14



Source: Audit Commission (2014)

98 Taking all councils in the analysis together, the median percentage fall in detected cases of benefit fraud exceeded that for FTE benefit fraud investigators. This was true in all councils except unitary authorities, where the percentage reductions were similar in each category.

99 London boroughs saw the largest reductions, losing nearly two in five (37 per cent) of their benefit fraud investigation staff, and nearly half (45 per cent) of their detected benefit fraud cases over the whole period. It is likely that some of this decline is due to councils in the capital refocusing their fraud investigation resources on non-benefit fraud in preparation for the introduction of the SFIS (Ref. 4, Para. 46).

100 Other councils also saw a substantial decline in their capacity to detect benefit fraud of between 20 and 30 per cent over this period. They also detected between 23 and 31 per cent fewer cases of benefit fraud. These differences are not statistically significant and data are patchy in 2010/11 and 2011/12. However, they indicate a clear decline in both counter-fraud capacity and detection rates between the two years.

Counter fraud capacity and cases of benefit frauds detected both fell between 2009/10 and 2013/14

ⁱ This analysis excludes county councils, which do not administer housing and council tax benefits.

101 Levels of reported detected fraud can only give an indication of the extent of fraud committed against councils. In our experience, the more councils look for fraud, and follow good practice, the more they will find. Increasing levels of detection may therefore be a positive sign that councils take fraud seriously, rather than evidence of weak counter-fraud controls.

102 It is becoming increasingly urgent for councils to recover losses to fraud. In 2016, the funding to aid councils refocus their activities on non-benefit frauds during the transition to the SFIS will end. Without this money, councils will need alternative means of financing counter-fraud investigation and prevention. Recovery of losses offers one way to do this.

Sanction and redress (recovery of losses)

103 Councils can invoke a range of criminal and civil sanctions against fraudsters. They can impose fines (for example, a £70 fine for fraudulently claiming single person discount), and withdraw benefits, contracts or licences. In some cases, stopping the discount or service provided may be the limit of the action taken.

104 The vast majority of frauds committed against local authorities are never pursued through the criminal courts. There are many frauds against councils (104,132 detected cases in 2013/14). With fewer staff and resources, it is appropriate for councils to follow different courses of action. This is consistent with good stewardship of public funds.

105 Recovering funds lost to fraud can be difficult. Research suggests that, across all sectors of an economy, more than half of all fraud victims do not recover any monies. Fewer than one in ten achieves full financial restitution (Ref. 16).

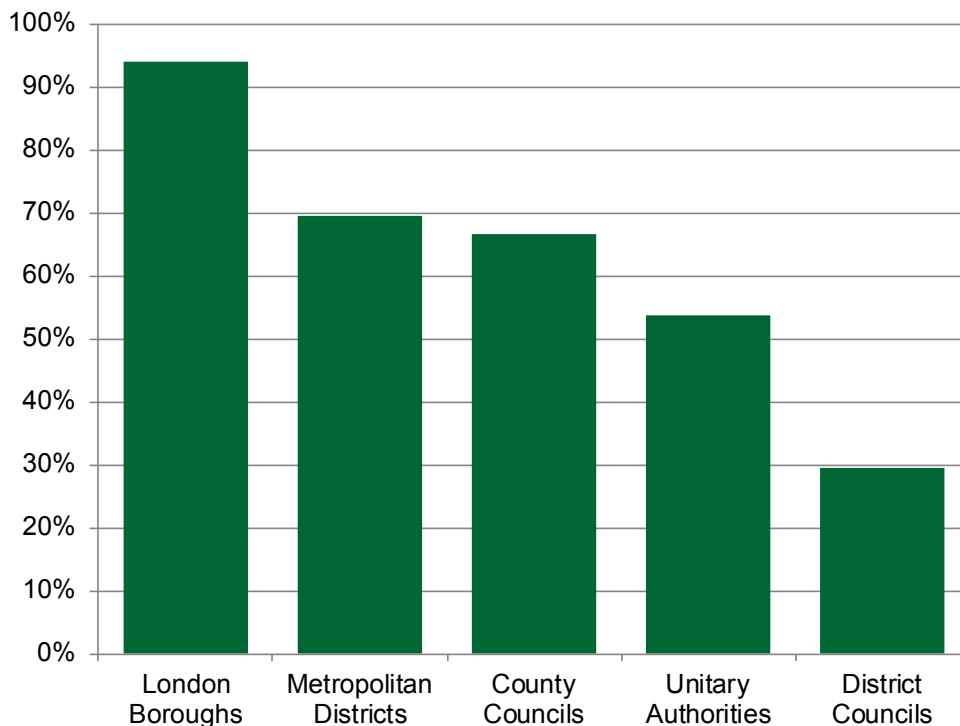
106 Councils can pursue recovery through the civil or criminal courts, but they can consider alternative means to punish fraudsters, deter potential fraudsters and also generate funds to reinvest in tackling fraud.

107 In 2014, the Local Authority Investigating Officers Group (LAIOG) published guidance on estimating potential loss to fraud in specific areas of local authority activity. Councils can utilise this guidance to estimate their own local losses (Ref. 17).

108 Appendix 3 contains case studies that illustrate how councils can use legislation, notably but not solely the Proceeds of Crime Act 2002 (POCA), to recover money from fraudsters.

109 POCA offers one means of recovering fraud losses through criminal law. Around two in five (43 per cent) of councils employ, or have access to, specialist POCA financial investigators to recover money from fraudsters through the courts (Figure 10).

Figure 10: **Proportion of councils in 2013/14 with access to POCA financial investigators, by council type**



Source: Audit Commission (2014)

110 The proportion of councils in each group with access to financial investigators varies widely. All but two London boroughs use them and most employ their own. In contrast, just over a quarter (28 per cent) of district councils used a financial investigator.

111 Financial investigators have typically focused on trading standard offences and benefit fraud, but they also enable councils to use POCA to recover funds lost to other frauds.

112 For example, in 2014, the financial investigator at the London Borough of Lewishamⁱ used a POCA confiscation hearing to establish the link between social housing fraud and additional costs the Council had incurred in housing homeless people. We had previously identified this link in *PPP* reports. The court agreed and set a precedent by awarding Lewisham £10,000 per fraudulently sub-let property in this case.

ⁱ This case was undertaken by the financial investigator on behalf of Lewisham Homes, the Arm's Length Management Organisation (ALMO) that manages the social housing stock for the council.

113 The court's judgement creates case law that will help social housing providers to punish offenders, recover funds and, equally importantly, deter others from committing such frauds in the future.

114 Local authorities should give greater consideration as to how best to use POCA financial investigators, especially in cases where councils incur substantial financial loss.

CIPFA Code of Practice on Managing the Risk of Fraud and Corruption

115 The six key components of effective stewardship of public funds highlighted in this chapter are incorporated within the newly published CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (Ref. **18**). The Code will be supported by a self-assessment framework. CIPFA also intend to publish good practice guidance. We encourage all public bodies, including local authorities, to assess themselves against this Code.

Chapter 5: Building on *PPP*'s legacy

The Commission's PPP reports have made an important contribution to the fight against public sector fraud. The CIPFA Counter Fraud Centre is well placed to continue this work, and intends to publish future annual PPP reports on the extent of detected fraud in local government.

116 Throughout its existence, the Commission has played an active part in helping public bodies tackle fraud effectively. For example, early *PPP* reports identified low levels of fraud detection in the NHS, which led in part to the creation of the NHS Counter-Fraud Service in 1998 (now NHS Protect). Our research on the scale of tenancy fraud and council tax single person discount fraud has been widely used to support improvements in the response to such fraud.

117 *PPP* reports use the Commission's statutory powers to collect and publish data on local counter-fraud detection. They have changed the way local government bodies and other organisations think about and approach fighting fraud, and achieved a number of important outcomes.

PPP reports raise awareness of the importance of fighting fraud

118 When the Commission resumed *PPP* in 2009, there was little research available on the nature and extent of most types of non-benefit fraud affecting local government bodies. We developed robust estimates, now widely used by national and local government, of the scale of both tenancy fraud and council tax single person discount fraud.

119 Many organisations did not acknowledge that fraud is a problem or understand its scale and impact. *PPP* reports attracted publicity and interest, which help officers and councillors to argue for more effective resources to protect the public purse.

120 Each *PPP* report contain a checklist for those charged with governance to help them understand and assess their risks and performance. The latest version is in Appendix 2. Councils should continue to use this checklist, which is updated annually with each new *PPP* report.

***PPP* reports promote transparency and accountability**

121 The information in *PPP* reports, combined with individual fraud briefings (see paragraphs 126 to 129), help to create greater transparency and accountability in local public services. *PPP* reports have been widely used by audit committees.

***PPP* reports improve data about fraud**

122 Prior to 2009, there was no sector-wide definition, or sub-categorisation, of fraud affecting local government. The annual fraud survey for *PPP* reports foster a common understanding of fraud across local government, and require local government bodies to record the numbers and values of all the frauds they detected.

***PPP* reports enable local government bodies to benchmark their performance in detecting fraud**

123 *PPP* reports contain regional and national data on detection rates and values for all types of benefit and non-benefit frauds. This allows English councils to compare their performance against national, regional and local norms. Understanding fraud detection performance helps local government bodies to adopt a proportionate and effective approach to fighting fraud.

***PPP* reports promote good practice in fighting fraud**

124 Each *PPP* report contains case studies that illustrate the actions local government bodies, often in partnership, take and the outcomes they achieve in fighting fraud. Every year, we work with councils to promote good practice across the sector.

125 All these benefits were possible because the Commission could mandate councils to complete and return the annual questionnaire for the fraud and corruption survey. Going forward, unless the survey is mandated by DCLG, response rates will probably fall. This would reduce the reliability of the survey results.

Fraud briefings

126 In 2013, we published for the first time individually tailored fraud briefings to support external auditors' communication with those responsible for governance at each council, principally locally elected councillors on audit committees. The briefings contained comparative benchmark information on each council's detection results. External auditors could provide these briefings on request and on a confidential basis, to ensure that the information they contained was not available to fraudstersⁱ.

127 All 353 English local authorities were able to receive their fraud briefing, without charge, through a presentation from their external auditor in late 2013 and early 2014. Around three in five councils (62 per cent) received a briefing and presentation, but it is disappointing that many councils did not.

128 We believe these briefings make an important contribution to improving transparency and accountability in local fraud detection performance. Some councils are reluctant to discuss fraud, or unwilling to accept it occurs, which may help to explain why not all councils opted to receive their fraud briefing.

129 In November 2014, we will again make fraud briefings available free to all councils, via their external auditor. We encourage all local authorities to use these fraud briefings to inform their local counter-fraud priorities and strategies.

62% of councils compared their detection levels with their peers, using our tailored fraud briefings

CIPFA Centre for Counter Fraud

130 Fraud risks are constantly changing. New ways of delivering public services, in particular through digital technology, bring new threats. Local government's counter-fraud approach needs to adapt and evolve to meet these new challenges. A key requirement for local bodies is to improve their counter-fraud capability.

ⁱ In 2012, the Audit Commission cited an exemption under section 31(1)(a) of the Freedom of Information (FOI) Act (that disclosure would be likely to prejudice the prevention or detection of crime) to refuse an FOI request for council-specific annual detected fraud survey results. Our concern was that disclosure of the data could prejudice the ability to prevent or detect fraud if any particular authority's track record in this regard were to become public. The Information Commissioner's Office upheld this exemption. It is for individual organisations to seek their own advice and determine their response to any FOI requests.

131 Auditors and fraud investigators already have many of the skills required to provide an effective counter-fraud service. Although some councils use such resources effectively, this is far from universal.

132 From April 2015, the Audit Commission's strategic counter-fraud activities and team will transfer to CIPFA's Counter Fraud Centre. The Centre is a source of expertise and leadership for local government and the wider public sector to help organisations meet challenges in the future.

133 With the support of the new Counter Fraud Centre, the sector can enhance investigative capability, even with fewer staff. The Centre can support measures to improve in several important areas:

- **Continuing to publish *PPP*.** The Centre intend to publish a similar *PPP* report based on an annual survey of detected fraud and corruption in English local authorities.
- **Benchmarking performance.** Benchmarking is critical to understanding how well an organisation performs. The Centre for Counter Fraud intend to continue to publish individual fraud briefings. It will also draw on CIPFA's expertise in comparing data.
- **Professional training.** The Centre will develop and offer professional accredited training for the public sector with specific bespoke focus for local government investigators.
- **Tools and other services.** The Centre will offer e-learning in anti-corruption and whistleblowing, supported by counter-fraud specialists. Other services will include professional networks, thought leadership and fraud alerts.

134 CIPFA does not have the same breadth of powers that the Audit Commission has been able to deploy to support local government, including powers to mandate submission of information on fraud detection results. This could weaken the comparative data used in fraud briefings.

135 We encourage all councils and other public bodies to maximise the potential benefits of participation with the CIPFA Counter Fraud Centre.

136 The Audit Commission leaves a strong legacy in counter-fraud. CIPFA is well placed to continue this work and help local government in its fight against fraud.

Appendix 1: Data tables of detected frauds and losses by region

Table 8: Detected frauds and losses 2013/14 by region compared to regional spend by councils

Region	Council spending by region as percentage of total council spending in 2012/13 ⁱ	Regional percentage of the total value of all detected frauds in 2013/14	Regional percentage of the number of all cases of detected frauds in 2013/14
(TOTAL)	(£111.7 billion)	(£188.3 million)	(104,132)
East of England	10.3	9.9	10.3
East Midlands	7.7	6.4	8.6
London	18.2	27.1	20.8
North-East	5.4	4.1	6.5
North-West	13.6	10.9	8.3
South East	15.0	14.5	15.7
South-West	9.1	9.0	9.6
West Midlands	10.8	9.8	12.5
Yorkshire and Humber	10.1	8.3	7.7

Source: Audit Commission (2014)

ⁱ Regional spending data for 2013/14 are not yet available. However, the proportions of spending in each region do not change much from year to year. For this reason, Table 8 includes 2012/13 spend data as a benchmark against fraud losses and detected cases in 2013/14.

Appendix 2: Checklist for councillors and others responsible for governance

I. General	Yes	No	Previous action	2014 Update
1. Do we have a zero tolerance policy towards fraud?				
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with <i>Fighting Fraud Locally</i> ?				
3. Do we have dedicated counter-fraud staff?				
4. Do counter-fraud staff review all the work of our organisation?				
5. Does a councillor have portfolio responsibility for fighting fraud across the council?				
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?				
7. Have we received the latest Audit Commission fraud briefing presentation from our external auditor?				
8. Have we assessed our management of counter-fraud work against good practice?				
9. Do we raise awareness of fraud risks with:				
■ new staff (including agency staff);				
■ existing staff;				
■ elected members; and				
■ our contractors?				

I. General	Yes	No	Previous action	2014 Update
10. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?				
11. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?				
12. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?				
13. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on our outcomes?				
14. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?				
15. Do we have effective arrangements for:				
■ reporting fraud?				
■ recording fraud?				
16. Do we have effective whistle-blowing arrangements. In particular are staff:				
■ aware of our whistle-blowing arrangements?				
■ have confidence in the confidentiality of those arrangements?				
■ confident that any concerns raised will be addressed?				
17. Do we have effective fidelity insurance arrangements?				

II. Fighting fraud with reduced resources	Yes	No	Previous action	2014 Update
18. Are we confident that we have sufficient counter-fraud capacity and capability to detect and prevent fraud, once SFIS has been fully implemented?				
19. Did we apply for a share of the £16 million challenge funding from DCLG to support councils in tackling non-benefit frauds after the SFIS is in place?				
20. If successful, are we using the money effectively?				
III. Current risks and issues	Yes	No	Previous action	2014 Update
Housing tenancy				
21. Do we take proper action to ensure that we only allocate social housing to those who are eligible?				
22. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?				
Procurement				
23. Are we satisfied our procurement controls are working as intended?				
24. Have we reviewed our contract letting procedures in line with best practice?				
Recruitment				
25. Are we satisfied our recruitment procedures				
■ prevent us employing people working under false identities;				
■ confirm employment references effectively;				
■ ensure applicants are eligible to work in the UK; and				
■ require agencies supplying us with staff to undertake the checks that we require?				

III. Current risks and issues (continued)	Yes	No	Previous action	2014 Update
Personal budgets				
26. Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?				
27. Have we updated our whistle-blowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?				
Council tax discount				
28. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?				
Housing benefit				
29. When we tackle housing benefit fraud do we make full use of:				
■ National Fraud Initiative;				
■ Department for Work and Pensions Housing Benefit matching service;				
■ internal data matching; and				
■ private sector data matching?				
IV. Other fraud risks	Yes	No	Previous action	2014 Update
30. Do we have appropriate and proportionate defences against the following fraud risks:				
■ business rates;				
■ Right to Buy				
■ council tax reduction;				
■ schools; and				
■ grants?				

Appendix 3: Case studies: targeting fraudsters, financial recovery (in particular use of POCA)

Case study 4

Recruitment payroll fraud - pension pot recovered (total value £414,415)

- In July 2012, a council successfully prosecuted the Head of their Youth Offending team and several co-conspirators for payroll fraud. In collusion with employees at a recruitment agency, the employee authorised payments for several non-existent temporary agency staff. The fraud was first brought to the attention of the council by a whistleblower.
- The employee was found guilty of conspiracy to defraud the council and sentenced to five years and six months in prison. The co-conspirators were also found guilty and sentenced to four years, two years, and 18 months respectively.
- In 2014, the council was awarded a total of £414,415 in financial restitution from the fraudsters, in part through successful POCA judgements. This included £286,415 recovered from the fraudsters' pension under provisions within the Local Government Pension Scheme.

Source: Audit Commission (2014)

Case study 5

Prevention of Social Housing Fraud Act - unlawful profit order of £31,000

- In early 2014, a predominantly London-based housing association was one of the first social housing providers to gain an Unlawful Profit Order under the Prevention of Social Housing Fraud Act. This allows social landlords to seek a money judgement against their tenant where illegal sub-letting has occurred.
- On a routine visit, a housing officer became suspicious about illegal sub-letting after seeing an unfamiliar person in a property. The officer discovered that the official tenant had lived and worked in Spain for at least the last two and a half years.
- The court ordered the tenant to pay the housing association £31,000, plus costs. The property was recovered and immediately re-let.

Source: Audit Commission (2014)

Procurement fraud and POCA

- In 2014, a council successfully obtained a confiscation order under the Proceeds of Crime Act for £75,000. This related to the amount an employee had been illegally paid to provide confidential contract information.
- The employee's responsibilities included awarding council contracts for ICT equipment. In this role, the employee introduced two new suppliers to the council's approved tender list, subsequently advising them of tender submissions by competing companies. This enabled the two companies concerned to underbid competitive rivals to secure the contracts.
- The fraud was identified as a result of information provided by an anonymous informant.
- The employee was dismissed, subsequently found guilty under the Fraud Act and sentenced to two years imprisonment.

Source: Audit Commission (2014)

Case study 7

Benefit fraud (£43,000), POCA award of nearly £1.2 million

- Over a four-year period a husband and wife made false statements as to their relationship and stole somebody else's identity (to create a non-existent landlord), to fraudulently claim housing benefit worth £43,000 from a council.
- The money claimed was used to finance an extravagant lifestyle, including purchases of two sports cars, expensive watches and nearly £100,000 of musical equipment. Subsequent enquiries by the council's financial investigator established that the husband owned a property abroad worth in excess of £1 million, had further land holdings and several businesses in the UK and abroad, including two money transfer companies. He also had several business and bank accounts.
- The fraudsters pleaded guilty to 19 Fraud Act, Theft Act, perjury and immigration offences. The fraudsters were sentenced to 30 months in prison and 12 months' suspended sentence respectively.
- Using the findings of the financial investigator's enquiries into the financial history of the fraudsters, a subsequent POCA hearing awarded £1,197,000 in a confiscation order, to be paid by the husband. The council is due £497,000 of this award.
- The fraudster husband subsequently paid £11,849 of the amount awarded. In late 2013, he left the UK and is now resident abroad. An arrest warrant has been issued.

Source: Audit Commission (2014)

Recovery of 23 council houses from fraudsters

- In 2011, a council's fraud team uncovered one of the country's biggest ever tenancy fraud cases. Over a three year period, a council employee dealing with homeless people had operated a scheme to process bogus housing applications to fraudulently obtain council homes. Properties were subsequently allocated to the fraudster's family, close associates and later those willing to pay. The fraudster used fake identities, false personal data and fraudulently adjusted housing application forms to make the co-defendants "high priority" for housing.
- The fraud was first identified through National Fraud Initiative data 'Operation Amberhill' matches. Subsequent investigations found a pattern of false documentation being used to obtain social housing. Enquiries with the UK Borders Agency and HMRC established that seven of the properties were allocated to people not legally allowed to be in the UK.
- Council investigators found a pattern where significant one-off payments would be made to the fraudster's bank account. A few days later a property would be allocated to the individual making the payment.
- In total, 23 properties were fraudulently allocated, most of which have already been recovered by the council.
- The fraudster pleaded guilty to transferring criminal property and in January 2014 he was sentenced to four years in prison. The co-defendants, who included the mother and a former wife of the culprit, received suspended sentences ranging from six to eight months, and other penalties including curfews and community service.

Source: Audit Commission (2014)

Benefit fraudster with over 30 bank accounts – POCA confiscation order of £150,000

- In 2011, a council initially identified through data matching that a benefit claimant had two undeclared bank accounts. Further enquiries established the claimant had over 30 such undeclared bank accounts in operation over a ten year period. During that time the claimant had received over £43,000 in benefits. A restraint order was placed on these bank accounts under the Proceeds of Crime Act, to prevent them being used.
- The individual was subsequently found guilty of two counts of benefit fraud under the Social Security Administration Act and received a six month custodial sentence.
- In 2014, a POCA confiscation order of £150,000 was made against the fraudster, of which over £43,000 related to the council for the fraudulent housing benefit payments. These monies have now been paid back by the fraudster.

Source: Audit Commission (2014)

Right to Buy fraud and benefit fraud

- In 2010, a couple applied to purchase their council home under Right to Buy for £185,000, with a discount of £38,000. The purchase was not consistent with their financial circumstances, as they were long term benefit claimants on low income. As part of the council's anti-money laundering policy, enquiries were then made to establish how the property purchase would be financed.
- Enquiries revealed the couple had savings in excess of £30,000, which had not been declared in the course of claiming benefits. The mortgage to fund the purchase was to be £147,000. To obtain the mortgage, one defendant inflated his income and a completely false income was declared for the other, who had not worked for over 15 years.
- In March 2012, the defendants pleaded guilty to benefit fraud offences and money laundering totalling over £10,000. They received a 12 month Community Order, 150 hours unpaid work, an evening curfew and electronic tagging.
- At a subsequent confiscation hearing, the council were awarded over £40,000 in relation to both the Right to Buy and benefit frauds, which has been repaid in full.

Source: Audit Commission (2014)

Housing officer fraudulently sub-letting council house

- In 2010, a council housing officer created false documents, forged signatures and copied confidential council-held information to create the false impression of a voluntary tenancy exchange for two council homes. Instead, the housing officer used the subsequent control over one property (that had supposedly been transferred to a new tenant), to fraudulently sub-let that property for £700 per month.
- The fraud came to the attention of the local authority as a result of an unrelated enquiry by the tenant of the fraudster to the council.
- The original tenant had returned the keys of the property to the council in 2010 and was now living abroad. He had no knowledge of the tenancy exchange, and his signature had been falsified on transfer documents.
- The housing officer was dismissed for gross misconduct, pleaded guilty to two offences of fraud by abuse of position and making and supplying articles for use in fraud. The fraudster was sentenced to two years and ten months' imprisonment.
- In 2014, a POCA confiscation hearing found the fraudster had obtained a lifestyle benefit of over £88,000. As a result, the council was awarded £16,631, representing half of the equity available on the fraudster's own property, which he jointly owned with his wife.

Source: Audit Commission (2014)

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Fighting Fraud Checklist for Governance

Protecting the public purse 2014

October 2014

i) General		Yes	No
1. Do we have a zero tolerance policy towards fraud?		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Previous action			
2014 Update			
2. Do we have the right approach, and effective counter-fraud strategies, policies and plans? Have we aligned our strategy with Fighting Fraud Locally?		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Previous action			
2014 Update			
3. Do we have dedicated counter-fraud staff?		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Previous action			
2014 Update			
4. Do counter-fraud staff review all the work of our organisation?		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Previous action			
2014 Update			
5. Does a councillor have portfolio responsibility for fighting fraud across the council?		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Previous action			
2014 Update			
6. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Previous action			
2014 Update			
7. Have we received the latest Audit Commission fraud briefing presentation from our external auditor?		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Previous action			
2014 Update			
8. Have we assessed our management of counter-fraud work against good practice?		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Previous action			
2014 Update			
9. Do we raise awareness of fraud risks with:			
• new staff (including agency staff)?		<input type="checkbox"/>	<input type="checkbox"/>
Previous action			
2014 Update			
• existing staff?		<input type="checkbox"/>	<input type="checkbox"/>
Previous action			
2014 Update			
• elected members?		<input type="checkbox"/>	<input type="checkbox"/>
Previous action			
2014 Update			
• our contractors?		<input type="checkbox"/>	<input type="checkbox"/>
Previous action			
2014 Update			
10. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Previous action			
2014 Update			
11. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?		<input checked="" type="checkbox"/>	<input type="checkbox"/>
Previous action			

2014 Update	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
12. Do we identify areas where our internal controls may not be performing as well as intended? How quickly do we then take action?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
13. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on our outcomes?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
14. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
15. Do we have effective arrangements for:		
• reporting fraud?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
• recording fraud?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
16. Do we have effective whistle-blowing arrangements? In particular are staff:		
• aware of our whistle-blowing arrangements?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
• confident in the confidentiality of those arrangements?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
• confident that any concerns raised will be addressed?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
17. Do we have effective fidelity insurance arrangements?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
ii) Fighting fraud with reduced resources		
18. Are we confident that we have sufficient counter-fraud capacity and capability to detect and prevent fraud, once SFIS has been fully implemented?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
19. Did we apply for a share of the £16 million challenge funding from DCLG to support councils in tackling non-benefit frauds after the SFIS is in place?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
20. If successful, are we using the money effectively?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
iii) Current risks and issues		
Housing tenancy		
21. Do we take proper action to ensure that we only allocate social housing to those who are eligible?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Previous action		
2014 Update		
22. Do we take proper action to ensure that social housing is occupied by those to whom it is allocated?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
Procurement		
23. Are we satisfied our procurement controls are working as intended?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
24. Have we reviewed our contract letting procedures in line with best practice?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
Recruitment		
25. Are we satisfied our recruitment procedures that:		
• prevent us employing people working under false identities?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
• confirm employment references effectively?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
• ensure applicants are eligible to work in the UK?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
• require agencies supplying us with staff to undertake the checks that we require?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
Personal budgets		
26. Where we are expanding the use of personal budgets for adult social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
27. Have we updated our whistle-blowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
Council tax discount		
28. Do we take proper action to ensure that we only award discounts and allowances to those who are eligible?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		
Housing benefit		
29. When we tackle housing benefit fraud do we make full use of:		
• The National Fraud Initiative?	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Previous action		
2014 Update		

• The Department for Work and Pensions Housing Benefit matching service?	2013	2014
Previous action		
2014 Update		
• internal data matching?	2013	2014
Previous action		
2014 Update		
• private sector data matching?	2013	2014
Previous action		
2014 Update		
iv) Other fraud risks		
30. Do we have appropriate and proportionate defences against the following fraud risks:		
• business rates?	2013	2014
Previous action		
2014 Update		
• Right to Buy?	2013	2014
Previous action		
2014 Update		
• council tax reduction?	2013	2014
Previous action		
2014 Update		
• schools?	2013	2014
Previous action		
2014 Update		
• grants?	2013	2014
Previous action		
2014 Update		

Source: Audit Commission (2014)

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Audit Committee

Item No 11

Report title:	Work Programme
Date of meeting:	29 January 2015
Responsible Chief Officer:	Interim Head of Finance
Strategic impact <p>The Committee's work fulfils its Terms of Reference as set out in the Council's Constitution and agreed by the Council. The terms of reference fulfil the relevant regulatory requirements of the Council for Accounts and Audit matters, including risk management, internal control and good governance.</p> <p>In accordance with its Terms of Reference the Committee should consider the programme of work set out below.</p> <p>NB:- Members are asked to note that the January 2015 meeting will be preceded by training for Members on Anti-Fraud and Corruption.</p>	

April 2015	
NAS Quarterly Report Quarter ended 31 December 2014	Executive Director of Finance (Interim)
Risk Management Report	Executive Director of Finance (Interim)
External Audit - Audit Plan	Executive Director of Finance (Interim)
Chairman's Annual Report	Chairman
Audit Committee Work Programme	Chairman
June 2015	
NAS Quarterly Report Quarter ended 31 March 2015	Executive Director of Finance (Interim)
Monitoring Officer Annual Report 2014-15	Head of Law
Annual NAS Report 2014-15	Executive Director of Finance (Interim)
Statement of Accounts 2014-15 Update	Executive Director of Finance (Interim)
Risk Management Report	Executive Director of Finance (Interim)
Anti-Fraud and Corruption Update	Head of Law
Audit Committee Work Programme	Chairman

September 2015	
Statement of Accounts 2014-15 and Annual Governance Statement 2014-15 for Approval	Executive Director of Finance (Interim)
Letter of Representation for Statement of Accounts 2014-15, Annual Governance Report and Draft Annual Audit Letter	Executive Director of Finance (Interim)
Internal Audit Plan for the second half of 2015-16	Executive Director of Finance (Interim)
NAS Quarterly Report Quarter ended 30 June 2015	Executive Director of Finance (Interim)
Risk Management Report	Executive Director of Finance (Interim)
Audit Committee Work Programme	Chairman

Officer Contact

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

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