

Audit Committee

Date: **Thursday 28 July 2022**

Time: **2 pm**

Venue: **Council Chamber, County Hall, Martineau Lane,
Norwich NR1 2DH**

Membership

Cllr Ian Mackie (Chairman)
Cllr Robert Savage (Vice Chairman)

Cllr Terry Jermy
Cllr Mark Kiddle-Morris
Cllr Saul Penfold
Cllr Tony White

Advice for members of the public:

This meeting will be held in public and in person

It will be live streamed on YouTube and members of the public may watch remotely by clicking on the following link: [Norfolk County Council YouTube](#)

However, if you wish to attend in person it would be helpful if you could indicate in advance that it is your intention to do so as public seating will be limited. This can be done by emailing committees@norfolk.gov.uk

The Government has removed all COVID 19 restrictions and moved towards living with COVID-19, just as we live with other respiratory infections. However, to ensure that the meeting is safe we are asking everyone attending to practise good public health and safety behaviours (practising good hand and respiratory hygiene, including wearing face coverings in busy areas at times of high prevalence) and to stay at home when they need to (if they have tested positive for COVID 19; if they have symptoms of a respiratory infection; if they are a close contact of a positive COVID 19 case). This will help make the event safe for all those attending and limit the transmission of respiratory infections including COVID-19.

Agenda

- 1 To receive apologies and details of any substitute members attending**

- 2 Minutes**

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To confirm the minutes of the meeting held on 21 April 2022.

- 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, to a greater extent than others in your division

- Your wellbeing or financial position, or
- that of your family or close friends
- Any body -
 - Exercising functions of a public nature.
 - Directed to charitable purposes; or
 - One of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union);

Of which you are in a position of general control or management.

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 County Council and Norfolk Pension Fund External Audit Plan 2021-22**

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Report by the Executive Director of Finance & Commercial Services

- 6 Norfolk Pension Fund Governance Arrangements 2021-22**

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Report by the Executive Director of Finance & Commercial Services

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10	Risk management Annual Report 2021/22 Report by the Executive Director of Finance & Commercial Services	Page 173
11	Annual Anti-Fraud, Bribery and Corruption Report 2021-22 Report by the Director of Governance	Page 185
12	Work Programme Report by the Executive Director of Finance & Commercial Services	Page 203

Tom McCabe
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Date Agenda Published: 20 July 2022



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Audit Committee
Minutes of the Meeting held on Thursday 21 April 2022 at 2pm in
Council Chamber, County Hall, Martineau Lane Norwich

Present:

Cllr Ian Mackie – Chairman
Cllr Terry Jermy
Cllr Mark Kiddle-Morris
Cllr Robert Savage
Cllr Tony White

Cllr Emma Corlett (for Item 4 only)

In attendance:

Joanne Fernandez Graham	Corporate Accounting Manager
Simon George	Executive Director for Finance & Commercial Services
Jonathan Hall	Committee Officer
Thomas Osborne	Risk Management Officer
Steve Rayner	Head of Insurance
Andrew Reeve	Investigative Auditor
Adrian Thompson	Assistant Director of Finance (Audit) / Chief Internal Auditor

External Auditors

Mark Hodgson & Sappho Powell – Ernst & Young LLP.

1 Apologies for Absence

- 1.1 Apologies were received from Cllr Saul Penfold. Cllr Karen Vincent was also absent.

2 Minutes

- 2.1 The minutes from the Audit Committee meeting held on 3rd February 2022 were agreed as an accurate record.

3 Declaration of Interests

- 3.1 None declared.

4 Items of Urgent Business

- 4.1 The Chairman advised he had a couple of items to bring to the committee's attention:

1. Question from Local Member

The Chairman advised that a question, concerning access to the Big Holiday Fun Scheme, had been received in line with the constitution appendix 8 (6.1) and the response was published on the Council website and circulated at the meeting. The question and the response are attached to these minutes at

Appendix A. In attending the meeting Cllr Corlett thanked the Chairman for such a comprehensive answer and asked the following supplementary question: How might any learnings be captured in the interim period to the scheduled audit date in Spring 2023? The Chairman responded by saying that he would expect officers to take forward any learnings from the scheme that had run over the Easter school holidays and to apply these during the school holiday periods throughout the remainder of 2022 and beyond.

The Chairman allowed a further question on the matter from Cllr Jermy who requested that members of the committee are involved in the wider audit of the scheme to allow feedback following issues experienced by residents and their families. The Chairman advised members that the audit programme for 22/23 had been agreed at the previous committee meeting and if any members wished to express concerns, they should do so via Children's Services department in the normal way.

4.2 **2. East of England Audit Chairman's Forum**

The Chairman advised the Committee that the first East of England Audit Chairman's Forum meeting had taken place via Microsoft Teams and had been well received. The Forum was looking forward to its first meeting face to face on 7th July 2022 at County Hall in Norwich. Norfolk County Council were leading on the forum and John Pye from the Combined Authority of Cambridgeshire and Peterborough had been appointed to the Vice Chairman role.

5. **Governance, Control and Risk Management of Treasury Management 2021-22**

The Committee received a report by the Executive Director of Finance and Commercial Services which assured Councillors that there were effective governance, control and risk management arrangements in place in respect of Treasury Management.

5.1 The following key points were noted:

- The Chartered Institute of Public Finance and Accountancy (CIPFA) new code of practice issued in December 2021 was already, were practical, being incorporated into the monthly Cabinet reports ahead of the changes being fully implemented in 2023-4 by regulation.
- Officers were content that the services provided by Link Asset Services did represent good value for money and that the length of the contract (8 years) was partly due to the very low number of companies in the market being able to provide such services.

5.2 **The Committee RESOLVED to agree the report, noting that it provided assurance to the Audit Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management.**

6 **External Audit Update**

6.1 The Committee welcomed Mark Hodgson and Sappho Powell who attended the meeting from Ernst & Young to present an update and answer questions. A presentation was undertaken a copy of which is attached to these minutes at Appendix B.

- 6.2 In response to questions to the External Auditors the following was noted:
- The risk to the County Council concerning the loss of European grant funding following Brexit was relatively limited from an audit risk perspective. The County Council was in most cases the holder and facilitator of funds as opposed to being responsible for spending and investment. Guarantees from the Treasury concerning funding was also allowing programmes to continue normally. This area was also covered on the corporate risk register.
- 6.3 The committee noted the report and thanked the External Auditors for their work and for attending the meeting.

7. **Audit Committee Terms of Reference**

The Committee received a report by the Executive Director of Finance & Commercial Services which set out the Committee's terms of reference and recommended changes which were considered to be consequential.

The Committee RESOLVED to agree the terms of reference for the Audit Committee with the recommended changes.

8. **Norfolk County Council's Insurance Cover**

- 8.1 The Committee received a report by the Executive Director of Finance and Commercial Services which provided the Committee with assurance as to how the insurance provision was delivered for the County Council and how claims against the Council were managed by the Insurance Team.

- 8.2 The following points were also discussed and noted:

- The data used in the report covered the period to 31 December 2021 and therefore did not extend to the period during early 2022 when several severe storms had taken place in quick succession, causing damage to buildings and other council owned assets.
- Generally, weather conditions relating to snow and ice over the winter period had been good and infrastructure had not suffered as much as in past years.
- The Council's insurance premiums had seen a low increase of around 5% which was much lower than many local authorities had experienced.
- The Council has a limit of £260,000 to self insure. Any claim above that level would be passed on to the insurer to deal with. The level is set for the management team and is not subject to one individual officer making a decision.

- 8.3 **The Committee RESOLVED to agree that a proper insurance provision existed where appropriate, as confirmed by external and internal reviews and accept the report.**

9. **Norfolk Audit Services Report for the Quarter ending 31 March 2022**

- 9.1 The Committee received the report by the Executive Director of Finance & Commercial Services supporting the remit of the Audit Committee in providing proactive leadership and direction on audit governance and risk management issues. The report updated the Committee on the progress of the delivery of the internal audit work and advised on the overall opinion of the effectiveness of risk management and internal control which was considered to be adequate and sound.
- 9.2 **The Committee RESOLVED to agree the key messages featured in the quarterly report, that the work and assurance meet their requirements and advise if further information is required.**

10. Risk Management Report

- 10.1 The committee received the report by the Executive Director of Finance & Commercial Services referencing the corporate risk register as it stood in April 2022 following the latest risk management report presented to cabinet in March 2022.
- 10.2 The Risk Management Officer introduced the appended report (10) and highlighted to the committee the changes in the corporate risks at Appendix A. It was noted that the on going war in Ukraine had increased the likelihood of a cyber attack on the Council's IT system (**RM010**) but it was still considered to be relatively low.

Progress had been made with regard to Adult Social Services (**RM023**) and the reduction in risk reflected the work the department had been doing to mitigate concerns.

Contingency planning work being carried out across all services had also seen risk (**RM032**) reduce in likelihood.

It was also noted that departmental risk registers will reflect the ongoing issues around recruitment of staff, particularly for care sector staff for Adult Social Care. Work has started to help support recruitment and retention of staff although there is still much to do, and the situation is being carefully monitored. It was acknowledged that an increase in performance and quantity of third party providers of adult social care services are critical to reduce the risks involved.

The risks relating to the Norwich Western Link project continued to be monitored (**RM033**) following the call in to the Scrutiny Committee on 23rd March 2022 with an update due in a Cabinet report in June 2022.

10.3 The Committee Resolved to agree:

- a. The key messages as per paragraphs 2.1 and 2.2 of this report
- b. The key changes to the corporate risk register (Appendix A);
- c. The corporate risk heat map (Appendix B);
- d. The latest generic corporate risks (Appendix C);
- e. Scrutiny options for managing corporate risks (Appendix D);
- f. Background Information (Appendix E)

9. Work Programme

The Committee received the report by the Executive Director of Finance and Commercial Services setting out the work programme. The Committee considered and **noted** the report.

Meeting ended at 3.02pm

Cllr Ian Mackie - Chairman

Audit Committee
21st April 2022

Item 4: To receive any items of business which the Chairman decides should be considered as a matter of urgency

Question from Cllr Emma Corlett

Most children in Town Close who are eligible for free school meals were not able to access the Big Holiday Fun Scheme over the Easter Holidays. I have heard from other families who did attend that not all places were taken up and attendance was poor. Will Audit Committee investigate the cost, take-up, impact and value for money of this scheme, for each holiday period that it has run, to properly evaluate whether this is the most effective or appropriate use of public money

Response:

The Big Norfolk Holiday Fun, a programme of activities for 5-16 year olds across Norfolk ran in 2021. The Council's website reports that, 'After a successful Easter programme the Big Norfolk Holiday Fun is back for summer, for children eligible for means-tested free school meals. There's a fantastic range of free activities for 5-16 year olds taking place during the holidays, with events across the county available to book online. The sessions will include a variety of fun activities, including sports, music, arts and other exciting opportunities to learn and develop skills, alongside a free nutritious meal each day. Booking is on a first-come-first-serve basis, with limited spaces for many activities, so families should book soon to avoid disappointment.' (13 July 2021)

On 27 October 2021 the government announced a further investment of over £200 million per year over the next 3 financial years for the holiday activities and food programme (HAF), which follows the successful roll out of the programme across England in 2021. Norfolk's first funding was in 2021 as part of the national rollout and 2021 was therefore our first year of operating HAF, albeit in very challenging circumstances.

This funding is for the 152 upper tier local authorities to coordinate and provide free holiday provision including healthy food and enriching activities. The programme will again be available to children in every local authority in England. The holiday periods that they expect local authorities to cover are set out in the Core offer section of the Government's website. The Government encourage local authorities to make the holiday clubs available to any children not receiving free school meals who can pay to attend. The schemes are not obligatory for children to attend. In 2022 Norfolk has offered the 'Big Holiday Fun Scheme', in partnership with Active Norfolk.

The Council submitted a report to the Department for Education setting out:

- how the Authority's 2022/2023 programme will work
- how many children the Authority expects to work with in 2022/23

The Council secured £2,692,990 of funding for 2022-23.

The Government's Grant Determination Letter (31/5854) sets out the standards for the funding. By 15th February 2023 the Council is required to submit a report setting out the actual number of children the Authority worked with during delivery of the programme at Easter, summer and Christmas in 2022. That report will also include:

- The overall number of unique children who participated in the Authority's programme
- The overall number of unique children in receipt of FSM who participated in the Authority's programme
- The number and proportion of children who are in the: primary school age range; the secondary school age range; and any children outside of those age ranges who attended the Authority's programme.
- The proportion of primary age and secondary age children who have participated in the Authority's programme.
- The number of children with SEND or additional needs who have participated in the Authority's programme.
- The average number of days attended per child.

The Authority must provide an annual report on their HAF programme to the Department by 30 June 2023. The report will cover a number of different areas, as set out in the "Annual Report" section of the programme guidance.

The letter also requires that the Authority's nominated responsible officer must confirm, through the submission of an annual Certificate of Expenditure, at the end of each financial year that the funding has been properly expended. The Authority must maintain a sound system of internal financial controls.

The 2022-23 Internal Audit Plan, approved by the Audit Committee on 3rd February 2022, includes an audit of the Holiday & Activity Food Programme (HAFP) for Children's Services, at page 153 of that agenda, which is published on the Council's website. The audit was planned for the fourth quarter of the audit year (Spring 2023) to enable data to be collected from the 2022 Easter and Summer schemes.

In consideration of the comprehensive governance arrangements and assurance required through the Government's funding requirements the next steps proposed are that:

The planned audit will take place in Spring 2023, as described above. The scope of the audit will include the 2022 Easter, Summer and Christmas schemes, including a sample of on-site visits. Active Norfolk will be asked to report to the Council on any complaints that may have been received regarding the 2022 Easter scheme.

A background image showing a meeting in progress. Several people are seated around a white table, looking at and pointing to documents. A smartphone is visible on the table. The scene is brightly lit, suggesting an indoor office or meeting room environment.

Norfolk County Council

Audit Risk themes

Year ended 31 March 2022

21 April 2022

Overview of our proposed 2021/22 audit risks

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud Risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. As management is in a unique position to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively, we have identified the incorrect capitalisation of revenue and accounting adjustments made in the Movement in Reserves Statement (MiRS) as the key areas where such a risk could manifest itself, as set out below.
Incorrect capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Linking to our risk due to fraud and error above we have considered the capitalisation of revenue expenditure on Property, Plant and Equipment as a separate specific risk, given the extent of the Council's capital programme.
Accounting adjustments made in the 'Movement in Reserves Statement'.	Fraud Risk	No change in risk or focus	Linking to our risk due to fraud and error above we have considered the accounting adjustments made in the Movement in Reserves Statement as a separate specific risk, given the financial pressure the Council is under to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets.
Accounting for Covid-19 related Government grants	Inherent Risk	Reduced risk in 2021/22 from prior year	The Council has received a significant level of government funding in relation to Covid-19. There is a need for the Council to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions.



Overview of our proposed 2021/22 audit risks

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Accounting for schools that convert to 'Academy' status	Inherent Risk	No change in risk or focus	Schools continue to convert to academy status. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment.
Valuation of Property, Plant and Equipment	Inherent Risk	No change in risk or focus	Property, Plant and Equipment represent a significant balance in the Council's accounts and requires material judgement and estimation techniques to calculate the year-end balances.
Derecognition of infrastructure assets upon subsequent expenditure/replacement	Significant Risk	New Risk in 2021/22	An issue has been raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part/component has been replaced or decommissioned. This matter is currently under consideration by CIPFA and we anticipate that a significant risk might arise as a result. If we consider appropriate to downgrade the risk subsequent to more information becoming available, we will update the Committee.
Pensions valuations and disclosures	Inherent Risk	No change in risk or focus	The current pension fund deficit is a material and sensitive item. The accounting for this scheme involves significant estimation and judgement.
Going concern disclosure	Inherent Risk	No change in risk or focus	The financial landscape for the Council remains challenging and management will need to prepare a going concern assessment covering a period up to 12 months from the expected date of the financial statements authorisation. The Council will also need to make an appropriate disclosure in the financial statements. In addition, the revised auditing standard on going concern requires additional challenge from auditors on the assertions being made by management.

Proposed 2021/22 audit strategy

Materiality - Norfolk County Council

Planning
materiality
£28.0m

Materiality for the Council's financial statements has been set at £28.0 million, which represents 1.8% of the prior years Gross Expenditure on Net Cost of Services plus other Operating Expenditure and Financing and Investment Expenditure. In the prior year we also applied a threshold of 1.8%.

Performance
materiality
£21m

Performance materiality has been set at £21.0 million, which represents 75% of materiality.

Audit
differences
£1.4m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) greater than £1.4 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures including Member allowances: we will agree all disclosures back to source data, and Member allowances to the agreed and approved amounts; and
- ▶ Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

A background image showing a meeting in progress. Several people are seated around a white table, looking at and pointing to documents. One person in the foreground is wearing a yellow shirt and a watch. Another person is wearing a gold bracelet. A smartphone is visible on the table. The overall scene is brightly lit and professional.

Norfolk Pension Fund

Audit Risk themes

Year ended 31 March 2022

21 April 2022

Overview of our proposed 2021/22 audit risks

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>
Investment Income and Asset valuation - Investment Journals	Fraud risk	No change in risk or focus	<p>We have considered the key areas where management has the specific opportunity and incentive to override controls.</p> <p>We have identified the main area as being around the Investment Income and Asset valuations being taken from the Custodian reports and incorrectly posted to the general ledger in the year, specifically through journal postings, to secure a more favourable reported financial position.</p>
Valuation of complex investments (Unquoted investments)	Inherent risk	Risk assessment subject to review	<p>The Fund's investments include unquoted pooled investment vehicles such as private equity and property investments.</p> <p>Key judgements are taken by the Investment Managers to value these investments whose prices are not publically available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error.</p> <p>Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could therefore have a material impact on the carrying value of the investments within the financial statements.</p>

Overview of our proposed 2021/22 audit risks

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
IAS 26 disclosure - Actuarial Present Value of Promised Retirement Benefits	Inherent risk	No change in risk or focus	<p>An actuarial estimate of the pension fund liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on a roll-forward of data from the previous triennial valuation in 2019/20, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.</p> <p>There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2022.</p>

Overview of our 2020/21 audit strategy

Materiality

Planning
materiality

£44.8m

Materiality has been set at £44.8 million, which represents 1% of the prior year's audited Net Assets of the scheme available to fund benefits. The Pension Fund is a public interest entity and a major local authority based on its size, we have considered the overall risk profile and public interest in comparison to other Pension Funds. As such we have set planning materiality to 1% of net assets.

Performance
materiality

£33.6m

Performance materiality has been set at £33.6 million, which represents 75% of materiality. This is the upper end of our range based on a lower level of errors identified in previous periods.

Audit
differences

£2.2m

We will report all uncorrected misstatements relating to the primary statements (Net Assets Statement and Pension Fund Accounts) greater than £2.2 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

Audit Committee

Item No:5

**Report Title: Norfolk County Council and Norfolk Pension Fund
External Audit Plan 2021-22**

Date of Meeting: 28 July 2022

Responsible Cabinet Member: N/A

**Responsible Director: Simon George, Executive Director of Finance
and Commercial Services**

Is this a Key Decision? No

Executive Summary

The purpose of this report is to:

- 1) Introduce the External Auditor's Norfolk County Council Initial Audit Plan for the Year ended 31 March 2022 and the Norfolk Pension Fund Provisional Plan for the year ended 31 March 2022, which are attached as **Appendix A and B**. These documents are certain communications that EY must provide to the Audit Committee of the audited client.

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

Recommendations:

1. To consider and agree the Norfolk County Council Initial External Audit Plan and the Norfolk Pension Fund Provisional External Audit Plan for 2021-22 and whether there are other matters, which may influence their audit.

1. Background and Purpose

- 1.1 These documents are certain communications that EY must provide to the Audit Committee of the audited client. The audit fee is set according to a scale fee.
- 1.2 The Accounts and Audit (Amendment) Regulations 2022 (SI 2022/708) were published at the end of June 2022. The regulations extend the 2021/22 audit deadline to 30 November 2022, and then 30 September until 2027/28. DLUH&C have also published full details of measures to signal publicly their commitment to the local audit market at: [Measures to improve local audit delays - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/news/measures-to-improve-local-audit-delays)
- 1.3 Some of the key measures include:
- providing councils with £45m additional funding over the course of the next Spending Review period to support with the costs of strengthening their financial reporting and increased auditing requirements;
 - strengthening training and qualifications options for local auditors and audit committee members;
 - reviewing whether certain accounting and audit requirements could be reduced on a temporary basis, where these are of lesser risk to councils.
- 1.4 The External Auditor presented an outline of their planning risks at the April 2022 Audit Committee meeting. Their presentation can be found with the minutes to that meeting. EY may issue an updated plan if any element of their assessment is amended during their remaining planning work.

2. Proposal

- 2.1 To consider and agree the external audit plans set out in **Appendix A and B** and whether there are other matters, which may influence their audit.

3. Impact of the Proposal

- 3.1 This report provides assurance to members and fulfils the relevant terms of reference of this committee.

4. Evidence and Reasons for Decision

- 4.1 The plans appear at **Appendix A and B**.

5. Alternative Options

- 5.1 None.

6. Financial Implications

6.1 None.

7. Resource Implications

7.1 **Staff/Property/IT:** None.

8. Other Implications

8.1 **Legal /Human Rights/ Equality Impact Assessment (EqIA) Implications:**
None

8.4 **Data Protection Impact Assessments (DPIA):** None

8.5 **Health and Safety implications (where appropriate):** None

8.6 **Sustainability implications (where appropriate):** None

8.7 **Any Other Implications:** None

9. Risk Implications / Assessment

9.1 None

10. Select Committee Comments

10.1 None

11. Recommendations

1. See required actions in the executive summary above.

12. Background Papers

12.1 None.

Officer Contact

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

Officer name: Adrian Thompson
Telephone no.: (01603) 303395
Email: Adrian.thompson@norfolk.gov.uk



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Norfolk County Council Initial Audit Plan

Year ended 31 March 2022

15 July 2022



Audit Committee
Norfolk County Council
County Hall
Martineau Lane
Norwich
NR1 2DH

15 July 2022

Dear Audit Committee Members

We are pleased to attach our Initial Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for Norfolk County Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 28 July 2022 as well as understand whether there are other matters which you consider may influence our audit.

MARK HODGSON

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP
Enc

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02 Audit risks



03 Value for Money risks



04 Audit materiality



05 Scope of our audit



06 Audit team



07 Audit timeline



08 Independence



09 Appendices



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA (<https://www.psaa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of Norfolk County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Norfolk County Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Norfolk County Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2021/22 audit strategy



Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively (Management Override).
Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	Fraud risk	No change in risk or focus	Linking to our fraud risk identified above, we have determined that a way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements, given the extent of the Council's capital programme and Revenue Expenditure Funded from Capital Under Statute.
Accounting adjustments made in the 'Movement in Reserves Statement'.	Fraud Risk	No change in risk or focus	Linking to our risk due to fraud and error above we have considered the accounting adjustments made in the Movement in Reserves Statement as a separate specific risk, given the financial pressure the Council is under to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets.
Infrastructure Assets	Significant Risk	New risk in 2021/22	<p>An issue has been raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part/component has been replaced or decommissioned. This matter is currently under consideration by CIPFA and the Council hold Infrastructure Assets, with a Net Book Value of £1,013 million at 31 March 2021.</p> <p>We have raised a significant risk in this area to ensure the correct accounting treatment is applied that takes into account any updated guidance from CIPFA and that the Council has appropriate evidence to support that treatment.</p>

Overview of our 2021/22 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Accounting for COVID-19 related government grants	Inherent Risk	Reduced risk in 2021/22 from prior year	The Council has received a significant level of government funding in relation to COVID-19, including a number of new grants in 2021/22. There is a need for the Council to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions. As there have been new, individually material, grants received during the year, including the COVID-19 Additional Relief Fund we have retained this as a risk area. However, as the Council correctly accounted for COVID related grant income in 2020/21, we have downgraded the risk from significant to inherent.
Pension Valuation and Other Disclosures	Inherent Risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Authority's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Authority's Balance Sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Authority by the Pension Fund Actuary. Accounting for this scheme involves significant estimation and judgement and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.</p>
Valuation of Property, Plant, and Equipment and Investment Property	Inherent Risk	No change in risk or focus	<p>The fair value of Property, Plant and Equipment (PPE) and Investment Property (IP) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end Land & Buildings balances recorded in the Balance Sheet.</p> <p>As a result of our work last year we did not identify any material issues with the work of the external valuer. We are also not aware of any other trigger events that would give rise to a significant risk, and therefore this remains an inherent risk.</p>
Group Accounts	Inherent Risk	New Risk in 2021/22	Within the Group accounts of the Council there are various accounting issues that have arisen during the period for consideration in the audit including the treatment of IFRS 16, the impact of the withdrawal from the Norwich Norse Partnership, and the consolidation of the new Repton entity.

Overview of our 2021/22 audit strategy

Materiality

Planning
materiality

£28m

Materiality has been set at £28 million (rounded), for the audit of the Council, which represents 1.8% of the prior year's gross expenditure on provision of services. Note: for the Group audit, this materiality has been calculated on the Group's prior year gross expenditure as £32.9 million (rounded).

Performance
materiality

£21m

Performance materiality has been set at £21 million, which represents 75% of materiality. Note: for the Group entities we have allocated a performance materiality of £24.7 million.

Audit
differences

£1.4m

We will report all uncorrected misstatements relating to the primary statements including the group (Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement, and Cash Flow Statement) greater than £1.4 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures including Member allowances: we will agree all disclosures back to source data, and Member allowances to the agreed and approved amounts; and
- ▶ Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

Overview of our 2021/22 audit strategy

Audit scope

This Initial Audit Plan covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Norfolk County Council and Group give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards. When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and,
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the ISA 540 (revised) and the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of Norfolk County Council's audit, we will discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements and Value for Money arrangements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements. We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Overview of our 2021/22 audit strategy

Value for money conclusion

We include details in Section 03 but in summary:

- ▶ We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- ▶ Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- ▶ We will provide a commentary on the Council's arrangements against three reporting criteria:
 - ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
 - ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
 - ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
- ▶ The commentary on VFM arrangements will be included in the Auditor's Annual Report.

Timeline

The Ministry of Housing, Communities and Local Government established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years). In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November 2022 for 2021/22.

In Section 07 we include a provisional timeline for the audit. We will work with the Council to complete the audit to this timeline or ensure that appropriate publication wording is published by the date set out above.



02

Audit risks



Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error *

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Inquire of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understand the oversight given by those charged with governance of management's processes over fraud.
- ▶ Consider of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Perform mandatory procedures regardless of specifically identified fraud risks, including:
 - ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements
 - ▶ Assessing accounting estimates for evidence of management bias, and
 - ▶ Evaluating the business rationale for significant unusual transactions.

We will utilise our data analytics capabilities to assist with our work.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that only those procedures included under 'Inappropriate capitalisation of revenue expenditure (including REFCUS)' and 'Accounting adjustments made in the Movement in Reserves Statement' are required, as set out on the following two pages.

Our response to significant risks (continued)

Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)*

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- ▶ Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- ▶ Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating property, plant and equipment additions and/or Revenue Expenditure Financed as Capital Under Statute (REFCUS) in the financial statements.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the general fund. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of its annual capital programme which is many times out materiality level.

This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Obtaining an analysis of capital additions in the year, reconciling to the Fixed Assets Register (FAR), and reviewing the descriptions to identify whether there are any potential items that could be revenue in nature; and
- ▶ Sample Test Property, Plant and Equipment additions, and REFCUS additions, if material, to ensure that the expenditure incurred and capitalised is clearly capital in nature or appropriate to be treated as REFCUS.

We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries more generally for evidence of management bias and evaluate for business rationale.

Our response to significant risks (continued)

Misstatements due to fraud or error - accounting adjustments made in the 'Movement in Reserves Statement'. *

Financial statement impact

We have identified a specific risk of misstatement due to fraud or error that could affect the Income and Expenditure accounts.

We consider the risk applies to accounting adjustments made in the 'Movement in Reserves Statement' and could result in a misstatement of 'Cost of Services' reported in the Comprehensive Income and Expenditure Statement.

What is the risk?

The Council is under financial pressure to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way of achieving these targets.

We consider the risk applies to accounting adjustments made in the movement in reserves statement.

- The adjustments between accounting basis and funding basis under Regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning:
- Revenue Expenditure Funded from Capital Under Statute (REFCUS);
- Capital grants;
- Depreciation, impairments and revaluation losses;
- Capital expenditure funded by revenue; and
- Minimum Revenue Provision.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Sample testing REFCUS to ensure the expenditure meets the definition of allowable expenditure, or is incurred under direction from the secretary of state;
- ▶ Reconciling entries for consistency to other audited accounts within the financial statements, for example our work on property, plant and equipment to support adjustments made for depreciation, impairments, revaluation losses, and application of capital grants;
- ▶ Reviewing the Council's policy and application of the 'Minimum Revenue Provision'; and
- ▶ Using our data analytics tool to identify and test journal entries adjustments made in the movement in reserves statement.

Our response to significant risks (continued)

Infrastructure Assets

Financial statement impact

We have identified a infrastructure asset misstatement that could affect the Balance Sheet.

We consider the risk applies to the existence of infrastructure assets and could result in a misstatement of 'Property, Plant, and Equipment' reported in the Balance Sheet.

What is the risk?

An issue has been raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on highways infrastructure assets when a major part/component has been replaced or decommissioned. This matter is currently under consideration by CIPFA and the Council hold Infrastructure Assets, with a Net Book Value of £1,013 million at 31 March 2021.

As a result of not writing out gross cost and accumulated depreciation where components are replaced, there is a risk that, if this is the case for elements not fully depreciated, assets in the Balance Sheet could be overstated. As a result, we have raised a Significant risk in this area.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Continue to discuss the matter with the Council as guidance on accounting for Infrastructure Assets is updated;
- ▶ Understand the Infrastructure Assets balance and the individual assets comprising this balance;
- ▶ Sampling Expenditure Additions to Infrastructure Assets to test whether they are additions to an asset or are replacements component of an asset; and
- ▶ Understand the Council's process for writing out gross cost and accumulated depreciation on the Infrastructure Assets balance and any replacement additions to determine whether this is materially correct at the Balance Sheet date.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk/area of focus?

Accounting for COVID-19 related government grants

In response to the COVID-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these. We are aware of new COVID-19 grant income in 2021/22 for example the COVID-19 Additional Relief Fund (CARF) that is material in nature.

Given the volume of these grants, the new conditions for the Council to understand the accounting impact of, there is an inherent risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.

Pension Liability Valuation & other pension disclosures

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body and the Fire Fighters Pension Scheme.

The Council's current LGPS and Fire Fighters Pension Fund Liability's are a material and sensitive item and the Code requires that these liability's be disclosed on the Council's Balance Sheet. Accounting for this scheme involves significant estimation and judgement.

At 31 March 2021 these totalled £1,565 million. The information disclosed is based on the IAS 19 reports issued to the Council by the actuary to the administering body.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Consider the Council's judgement on material grants received in relation to whether it is acting as an agent or a principal; and
- ▶ Encourage the finance team to provide its assessment of grant accounting well before it prepares the statements so that we can provide an early view on its proposed accounting treatment.

In order to address this risk we will carry out a range of procedures including:

- ▶ Liaise with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Norfolk County Council;
- ▶ Assess the work of the respective Pension Funds actuary (Hymans) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19 considering fund assets and the Authority's liability.

Other areas of audit focus (continued)

What is the area of focus?

Valuation of Property, Plant, and Equipment

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges.

At 31 March 2021 the net book value of PPE was £1,696 million, and the fair value of Investment Properties (including Group) was £25.96 million.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet.

Group Accounts

Within the group accounts of the Council there are various accounting issues that have arisen during the period for consideration in the audit including the treatment of IFRS 16, the impact of the withdrawal from the Norwich Norse Partnership, and the consolidation of the new Repton entity.

What will we do?

In order to address this risk we will carry out a range of procedures (which include the group balances) including:

- ▶ Consider the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2021/22 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

In order to address this risk we will carry out a range of procedures including:

- ▶ Liaise with the auditors of the group entities to obtain assurances over the information supplied in the consolidation pack to Norfolk County Council;
- ▶ Review the consolidation adjustments made by the Council; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to the Group Accounts.



03

Value for Money Risks





Value for Money

Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

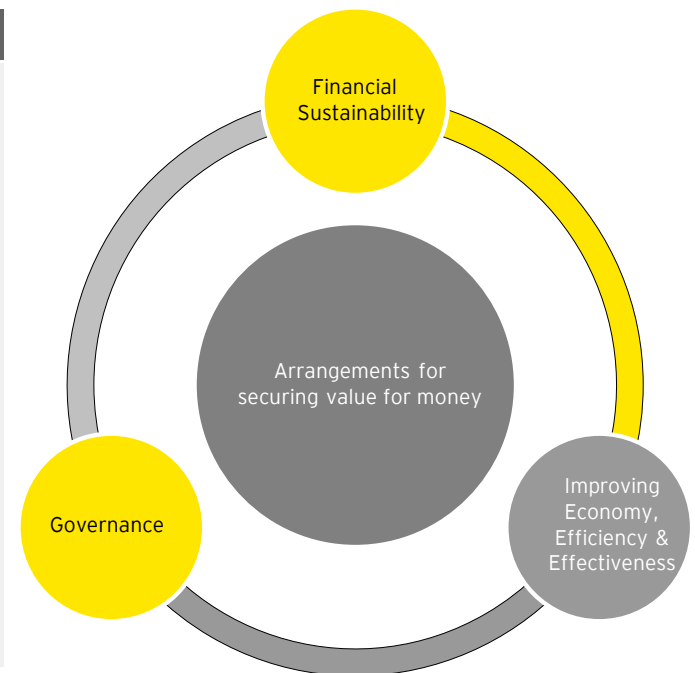
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities

Under the NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- ▶ Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- ▶ Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- ▶ Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.





Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- ▶ The Council's governance statement;
- ▶ Evidence that the Council's arrangements were in place during the reporting period;
- ▶ Evidence obtained from our work on the accounts;
- ▶ The work of inspectorates and other bodies; and
- ▶ Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- ▶ Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- ▶ Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- ▶ Leads to - or could reasonably be expected to lead to - unlawful actions; or
- ▶ Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- ▶ The magnitude of the issue in relation to the size of the Council;
- ▶ Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- ▶ The impact of the weakness on the Council's reported performance;
- ▶ Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- ▶ Whether any legal judgements have been made including judicial review;
- ▶ Whether there has been any intervention by a regulator or Secretary of State;
- ▶ Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- ▶ The impact on delivery of services to local taxpayers; and
- ▶ The length of time the Council has had to respond to the issue.



Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on arrangements in the Auditor's Annual Report. The Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2021/22 VFM planning

We have yet to complete our detailed VFM risk planning. However, we have noted a number of areas of focus for the arrangements the council has in place with regards to:

- ▶ Appropriateness of delegation of decisions
- ▶ Identified funding gaps in the Medium Term Financial Strategy (MTFS)
- ▶ Appropriateness of procurement procedures on significant contracts with specific focus given to the two separate contracts for the extension of the Northern Distributor Road (NDR).

We will provide an update on the outcome of our VFM planning and our planned response to any additional identified risks of significant weaknesses in arrangements at a future Audit Committee meeting.



04

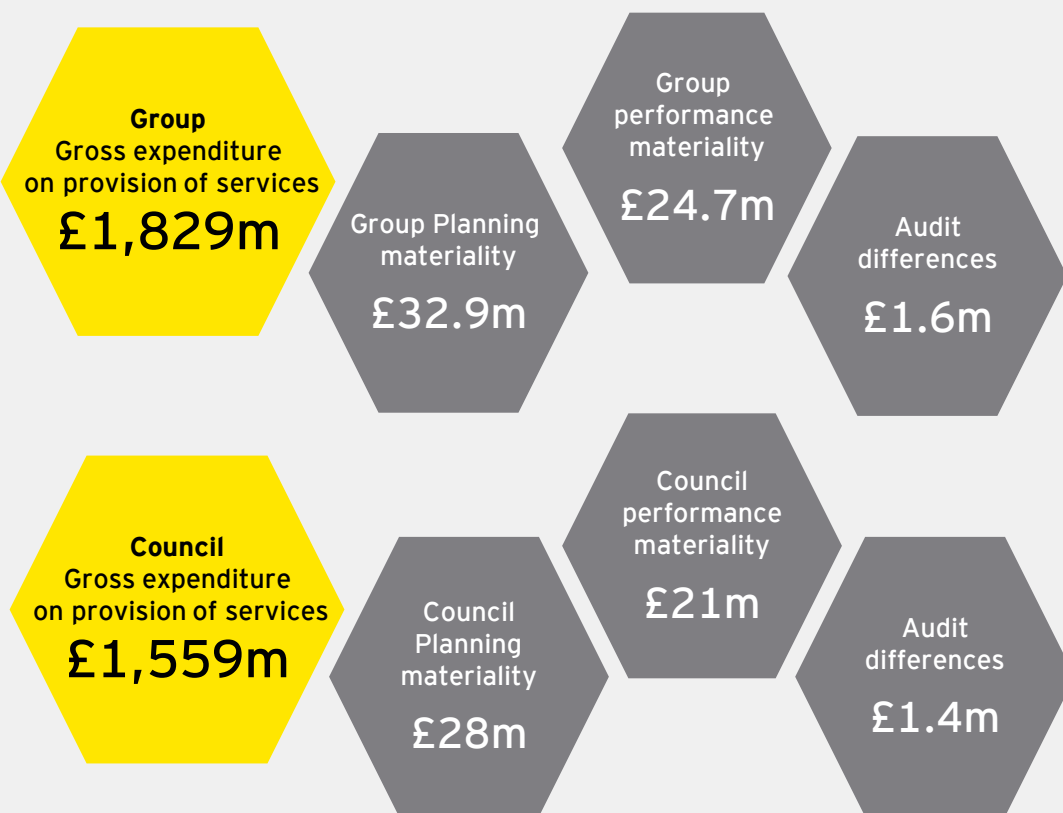
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2021/22 has been set at £32.9 million for the Group, and £28 million for the Council. This represents 1.8% of the Council and the Group's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. We consider that gross expenditure on the provision of services is the area of biggest interest to the users of the Council's accounts. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £24.7 million for the group and £21 million for the Council which represents 75% of planning materiality. This reflects the relatively lower level expectation of misstatements in our 2021/22 financial statement audit.

Component performance materiality range - we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

Audit difference threshold - we propose that misstatements identified below these thresholds (Group and Council) are deemed clearly trivial. The same threshold for misstatements is used for component reporting. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.

Specific materiality - We have set a materiality threshold of £5,000 for related party transactions and members' allowances. For officers remuneration including exit packages we will apply materiality of £1,000 in line with bandings. This reflects our understanding that an amount less than our materiality would not influence the economic decisions of users of the financial statements in relation to these disclosures.

Materiality

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures including councillor allowances: we will agree all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- ▶ Related party transactions: we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.



05 Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice, our principal objectives are to undertake work to support the provision of our audit report to the audited body and to satisfy ourselves that the audited body has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- ▶ whether the financial statements give a true and fair view of the financial position of the audited body and its expenditure and income for the period in question; and
- ▶ whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- ▶ whether other information published together with the audited financial statements is consistent with the financial statements; and
- ▶ where required, whether the part of the remuneration report to be audited has been properly prepared in accordance with the relevant accounting and reporting framework.

Other procedures required by the Code:

- ▶ Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

As outlined in Section 03, we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

For 2021/22 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will review internal audit plans and the results of their work. We will reflect on these when designing our overall audit approach and when developing our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that could have a material impact on the financial statements.

Scope of our audit

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

- 1. Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
- 2. Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those entity's. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope details for each component within Appendix A.

2	A	Full Scope: Norfolk County Council, NORSE
0	B	Specific scope audit
1	C	Review scope audits: Independence Matters
0	D	Specified procedures
1	E	Other procedures: Repton Properties Limited

Scope definitions

Full scope: Entities where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit.

Specific scope: Entities where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: Entities where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: Entities where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

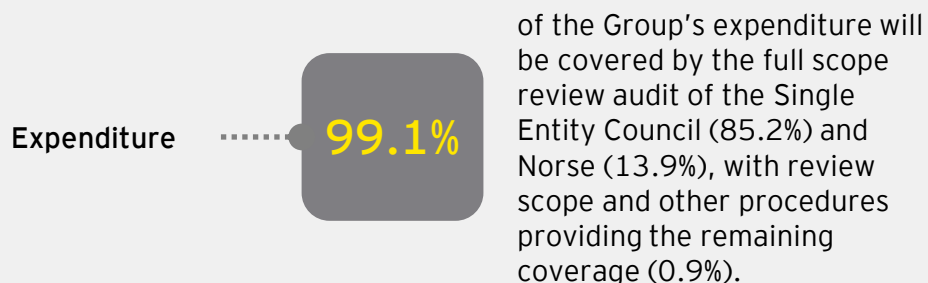
Other procedures: For those component entities that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Scoping the group audit (continued)

Coverage of Expenditure

We set audit scopes for each reporting unit which, when taken together, enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment, and other factors when assessing the level of work to be performed at each reporting unit.

Based on the group's prior year results, our scoping is expected to achieve the following coverage of the group's net cost of service expenditure.



Our audit approach is risk based and therefore the data above on coverage is provided for your information only.

Key changes in scope from last year

Based on our discussions with management and the provided scope assessment by the Council, and knowledge from the 2021/22 audit we anticipate one change in scope from prior year:

Repton Properties Limited: previously not consolidated will be assigned other procedures.

Other entities scoping remains unchanged:

The Council, as single entity, remains as a full scope audit.

NORSE remains a 'significant component', categorised as full scope.

Independence Matters remains an 'non-significant component', categorised as 'Review' scope.

Details of specific scope and other procedures

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below.

- We provide specific instruction to component team and our expectations regarding the detailed procedures;
- We set up initial meeting with component team to discuss the content of the group instructions;
- We will consider the need to perform a file review of component team's work where appropriate; and
- We will attend a closing meeting with component team to discuss their audit procedures and findings.

Details of review scope and other procedures

Our approach to specific and other procedures is as follows:

- Review of group wide entity level controls;
- Perform analytics review procedures;
- Test consolidation procedures and journals;
- Enquiry of management about unusual transactions; and
- Review of management's reconciliation of local statutory accounts to the group accounts.



06

Audit team



Audit team

Audit team structure:

Mark Hodgson
Audit Partner

Sappho Powell
Senior Audit Manager

Andrew Paylor
Audit Manager

Gavin Savage
Senior

EY Real
Estates (EYRE)

PwC (consulting
actuary) and EY
Actuaries

Working together with the Council

We are working together with officers to identify continuing improvements in communication and processes for the 2021/22 audit.

We will continue to keep our audit approach under review to streamline it where possible.

Use of specialists

When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where specialists are expected to provide input for the current year audit are:

Area	Specialists
Pensions disclosure	EY Pension Team PWC - Consulting Actuary to the PSAA Hymans Robertson - Actuary Norfolk Pension Fund and Firefighters Pension Fund
Valuation of Land and Buildings & Investment Properties	Norfolk Property Services (Council's PPE valuer) EY Real Estates (in relation to assessing the Council's valuers and otherwise required)
Financial Instruments	Capita (Council's Treasury Management Adviser)

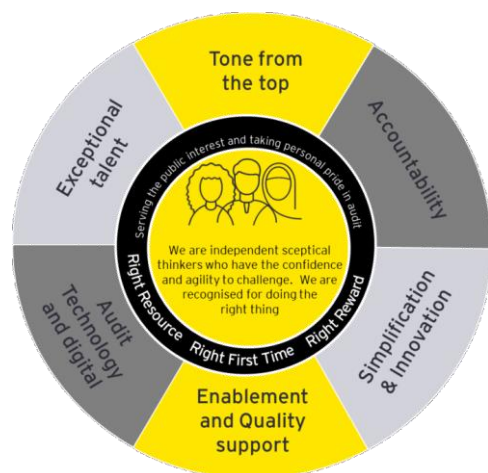
In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.

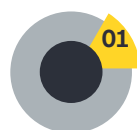


Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

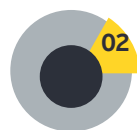
1. Our people are focused on a **common purpose**. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
 - ▶ **Right resources** – We team with competent people, investing in audit technology, methodology and support
 - ▶ **Right first time** – Our teams execute and review their work, consulting where required to meet the required standard
 - ▶ **Right reward** – We align our reward and recognition to reinforce the right behaviours

3. The six pillars of **Sustainable Audit Quality** are implemented.



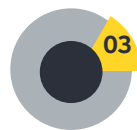
Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



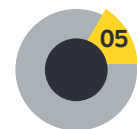
Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



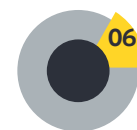
Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are **encouraged and empowered to challenge and exercise professional scepticism** across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

"A series of company collapses linked to unhealthy cultures.....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success."

Sir John Thompson
Chief Executive of the FRC



07

Audit timeline





Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit Committee timetable	Deliverables
Planning: Risk assessment and setting of scopes.	June - July 2022		
Walkthrough of key systems and processes	July - August 2022	Audit Committee	Audit Plan
Early testing procedures	July - August 2022		
Year end audit	September - October 2022	Audit Committee	Audit Plan Update - VFM Risk Assessment
Audit Completion procedures	October 2022	Audit Committee	Audit Results Report Audit opinion and completion certificates
	December 2023	Audit Committee	Auditor's Annual Report



08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit/additional services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit Engagement Partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we have an investment in the Council; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

When the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you. We do not plan to perform any non-audit work. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other communications

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

Familiarity - In 2020/21 we proposed a two year extension to Mark's tenure as Engagement Partner with the Council. We subsequently gained approval for this decision from the Council's Chief Finance Officer and Audit Committee Chair, as part of our overall considerations for the extension. The extension therefore also covers this year's 2021/22 audit. Appropriate safeguards have been put in place to support this extension.

There are no other threats at the date of this report.

EY Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021: https://www.ey.com/en_uk/about-us/transparency-report-2021



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2021/22	Estimated Fee 2020/21
	£'s	£'s
Scale Fee - Code work	98,361	98,361
Scale Fee Variation (Note 1)	-	120,054
Baseline increase in Scale Fee from 2019/20 (Note 2)	89,354 (Note 2)	-
Additional Audit Procedures (Note 3)	TBC	-
Total audit	TBC	218,415

All fees exclude VAT

Note 1 - Estimated Scale Fee Variation to be submitted to PSAA Ltd for determination in respect of the 2020/21 audit.

Note 2 - For 2021/22 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and 2020/21 and is subject to determination by PSAA Ltd - subject to annual price uplifts.

Note 3 - For 2021/22, the scale fee will be impacted by a range of factors which will result in additional work, including some of those that were present in the prior year - such as the impact of Covid-19. See Section 2 of this report for further areas that are likely to lead to additional fees.

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B




Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

Our Reporting to you		
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - July 2022 - Audit Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - October 2022 - Audit Committee; and Auditor's Annual Report - January 2023 - Audit Committee




Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - October 2022 - Audit Committee
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - October 2022 - Audit Committee
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	Audit Results Report - October 2022 - Audit Committee
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit Committee responsibility 	Audit Results Report - October 2022 - Audit Committee

Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - October 2022 - Audit Committee
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - July 2022 - Audit Committee; and</p> <p>Audit Results Report - October 2022 - Audit Committee</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - October 2022 - Audit Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit Results Report - October 2022 - Audit Committee

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Internal controls	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit 	Audit Results Report - October 2022 - Audit Committee
Group audits	<ul style="list-style-type: none"> An overview of the type of work to be performed on the financial information of the components An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Plan - July 2022 - Audit Committee; and Audit Results Report - October 2022 - Audit Committee
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - October 2022 - Audit Committee
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - October 2022 - Audit Committee
Auditors report	<ul style="list-style-type: none"> Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - October 2022 - Audit Committee Auditor's Annual Report - January 2023
Fee Reporting	<ul style="list-style-type: none"> Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work 	Audit Plan - July 2022 - Audit Committee; and Audit Results Report - October 2022 - Audit Committee
Value for Money	<ul style="list-style-type: none"> Risks of significant weakness identified in planning work Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses. 	Audit Plan - July 2022 - Audit Committee; Audit Results Report - October 2022 - Audit Committee Auditor's Annual Report - January 2023

Additional audit information

Objective of our audit

Our objective is to form an opinion on the Group's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	<ul style="list-style-type: none">▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.▶ Examining and reporting on the consistency of consolidation schedules or returns with the Council's audited financial statements for the relevant reporting period (WGA Return).
Other procedures	<ul style="list-style-type: none">▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

EY | Assurance | Tax | Transactions | Advisory

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ED None

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Norfolk Pension Fund

Provisional Audit Plan

Year ended 31 March 2022

15 July 2022



Audit Committee / Pensions Committee Members,
Norfolk County Council
County Hall
Martineau Lane
Norfolk - NR1 2DH

15 July 2022

Dear Audit Committee/ Pension Fund Committee Members,

2021/22 Provisional External Audit Plan - Norfolk Pension Fund

We are pleased to attach our provisional Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Pension Fund, and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing; we will inform the Audit Committee if there any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the committee.

This report is intended solely for the information and use of the Audit Committee, the Pension Fund Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on the 28 July 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

Mark Hodgson
Partner
For and on behalf of Ernst & Young LLP
Enc

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas. The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the **Audit Committee and management** of Norfolk Pension Fund in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Norfolk Pension Fund those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, and management of Norfolk Pension Fund for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2021/22 audit strategy



Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p>
Investment Income and Asset valuation - Investment Journals	Fraud risk	No change in risk or focus	<p>We have considered the key areas where management has the specific opportunity and incentive to override controls.</p> <p>We have identified the main area as being around the Investment Income and Asset valuations being taken from the Custodian reports and incorrectly posted to the general ledger in the year, specifically through journal postings, to secure a more favourable reported financial position.</p>
Valuation of complex investments (Unquoted investments)	Significant Risk	No change in risk or focus	<p>The Fund's investments include unquoted pooled investment vehicles such as private equity and property investments.</p> <p>Key judgements are taken by the Investment Managers to value these investments whose prices are not publically available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error.</p> <p>Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could therefore have a material impact on the carrying value of the investments within the financial statements.</p> <p>In 2020/21 approximately 26% of the overall fund fell within this investment type, and as these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as a higher risk estimate, as even a small movement in the valuation assumptions could have a material impact on the financial statements.</p>

Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Change of Custodian	Significant risk	New significant risk	In November 2021, the Pension Fund made a changed of custodian from HSBC to Northern Trust. Given the nature of the custodian's role to the Pension Fund and their key role for the provision of information upon which the financial statements are based, we therefore consider that this presents a significant audit risk. The audit risk is that information may be incorrectly transferred or reported within the 2021/22 financial statements.
IAS 26 disclosure - Actuarial Present Value of Promised Retirement Benefits	Inherent risk	No change in risk or focus	<p>An actuarial estimate of the Pension Fund Liability to pay future pensions is calculated by an independent firm of actuaries with specialist knowledge and experience. The estimate is based on a roll-forward of data from the previous triennial valuation in 2019/20, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.</p> <p>There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2022.</p>

Overview of our 2021/22 audit strategy

Materiality

Planning
materiality

£49m

Materiality has been set at £49.084 million, which represents 1% of the Net Assets of the scheme available to fund benefits - based upon the draft financial statements. The Pension Fund is a public interest entity and a major local authority based on its size, we have considered the overall risk profile and public interest in comparison to other Pension Funds. As such we have set planning materiality to 1% of net assets.

Performance
materiality

£37m

Performance materiality has been set at £36.813 million, which represents 75% of materiality. This is the upper end of our range based on a lower level of errors identified in previous periods.

Audit
differences

£2.5m

We will report all uncorrected misstatements relating to the primary statements (Net Assets Statement and Pension Fund Accounts) greater than £2.454 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

Overview of our 2021/22 audit strategy

Audit scope

This provisional Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Norfolk Pension Fund (the Pension Fund) give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2022 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2022; and
- Our opinion on the consistency of the Pension Fund financial statements within the Pension Fund annual report with the published financial statements of Norfolk County Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Pension Fund.

Taking the above into account, and as articulated in this Audit Plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit and the increased regulatory focus on audit quality. Therefore, to the extent any of these or any other risks that are relevant in the context of Norfolk Pension Fund's audit, we will discuss these with management as to the impact on the scale fee.



02 Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks *) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

	What is the risk?	What will we do?
<p>Misstatements due to fraud or error*</p>	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p> <p>As part of our work to identify fraud risks during the planning stages, we have identified those areas of the where the risk of manipulation could specifically manifest itself.</p> <p>These are set out on the following page.</p>	<p>We will undertake our standard procedures to address fraud risk, which include:</p> <ul style="list-style-type: none"> ▶ Identifying fraud risks during the planning stages. ▶ Inquiring of management about risks of fraud and the controls put in place to address those risks. ▶ Understanding the oversight given by those charged with governance of management's processes over fraud. ▶ Considering the effectiveness of management's controls designed to address the risk of fraud. ▶ Determining an appropriate strategy to address those identified risks of fraud. ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including; <ul style="list-style-type: none"> ▶ testing of journal entries and other adjustments in the preparation of the financial statements; ▶ reviewing accounting estimates for evidence of management bias; and ▶ evaluating the business rationale for significant unusual transactions. <p>We will utilise our data analytics capabilities to assist with our work, including journal entry testing. We will assess journal entries for evidence of management bias and evaluate for business rationale.</p>

Our response to significant risks (continued)

Investment income and asset valuations - Investment Journals*

What is the risk?

We have considered the key areas where management has the opportunity and incentive to override controls that could affect the Fund Account and the Net Asset Statement.

We have identified the main area as being:

- ▶ Investment Income (£69.6 million in 2021/22) and Asset valuations (£4.89 billion at 31 March 2022) being taken from the Custodian reports and incorrectly posted to the general ledger in the year, specifically through journal postings.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Test journals at year-end to ensure there are no unexpected or unusual postings;
- ▶ Undertake a review of reconciliations to the fund manager and custodian reports and investigate any reconciling differences;
- ▶ Re-perform the detailed investment note using the reports we have acquired directly from the custodian or fund managers;
- ▶ Check the reconciliation of holdings included in the Net Assets Statement back to the source reports; and
- ▶ For quoted investment income we will agree the reconciliation between fund managers and custodians back to the source reports.

Our response to significant risks (continued)

Valuation of Complex Investments (Unquoted Investments)

What is the risk?

The Fund's investments include unquoted pooled investment vehicles such as private equity, and property investments.

Key judgements are taken by the Investment Managers to value these investments whose prices are not publicly available. The material nature of this type of investment, means that any error in judgement could result in a material valuation error.

Market volatility means such judgments can quickly become outdated, especially when there is a significant time period between the latest available audited information and the fund year end. Such variations could therefore have a material impact on the carrying value of the investments within the financial statements.

In 2021/22 approximately 30% of the overall fund fell within this investment type, and as these investments are more complex to value, we have identified the Fund's investments in private equity and pooled property investments as a higher risk estimate, as even a small movement in the valuation assumptions could have a material impact on the financial statements.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Assessing the competence of management experts;
- ▶ Reviewing the basis of valuation for property investments and other unquoted investments and assessing the appropriateness of the valuation methods used;
- ▶ Where available, reviewing the latest audited accounts for the relevant fund managers and ensuring there are no matters arising that highlight material differences in the reported funds valuation within the financial statements; and
- ▶ Performing analytical procedures and checking the valuation output for reasonableness against our own expectations.

Our response to significant risks (continued)

Change in Custodian	What is the risk?	What will we do?
	<p>In November 2021, the Pension Fund made a changed of custodian from HSBC to Northern Trust.</p> <p>Given the nature of the custodian's role to the Pension Fund and their key role for the provision of information upon which the financial statements are based, we therefore consider that this presents a significant audit risk.</p> <p>The audit risk is that information may be incorrectly transferred or reported within the 2021/22 financial statements.</p>	<p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> ▶ Obtain an understanding of the custodian change process; ▶ Understand Management's process for gaining assurance that all relevant information was transferred from HSBC to Northern Trust, thereby mitigating potential risk over the transfer of date; and ▶ Undertake a review of Management's reconciliations between the closing Custodian reports from HSBC and the opening Custodian reports from Northern Trust to ensure completeness of investments and investigate any reconciling differences.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

IAS 26 disclosure - Actuarial Present Value of Promised Retirement Benefits

The Fund's IAS 26 calculation shows that the present value of promised retirement benefits amount to £6,651 million as at 31 March 2022.

The figure is material and subject to complex estimation techniques and judgements by the Actuary, Hymans Robertson. The estimate is based on a roll-forward of data from the previous triennial valuation in 2019/20, updated where necessary, and has regard to local factors such as mortality rates and expected pay rises along with other assumptions around inflation and investment yields when calculating the liability.

There is a risk that the valuation uses inappropriate assumptions to value the liability as at the 31 March 2022.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Assessing the competence of management experts, Hymans Robertson;
- ▶ Engaging with the NAO's consulting actuary and our EY Pensions Advisory Team to review the IAS26 approach applied by the actuary are reasonable and compliant with IAS26; and
- ▶ Ensuring that the IAS26 disclosure is in line with the relevant standards and consistent with the valuation provided by the Actuary.



03

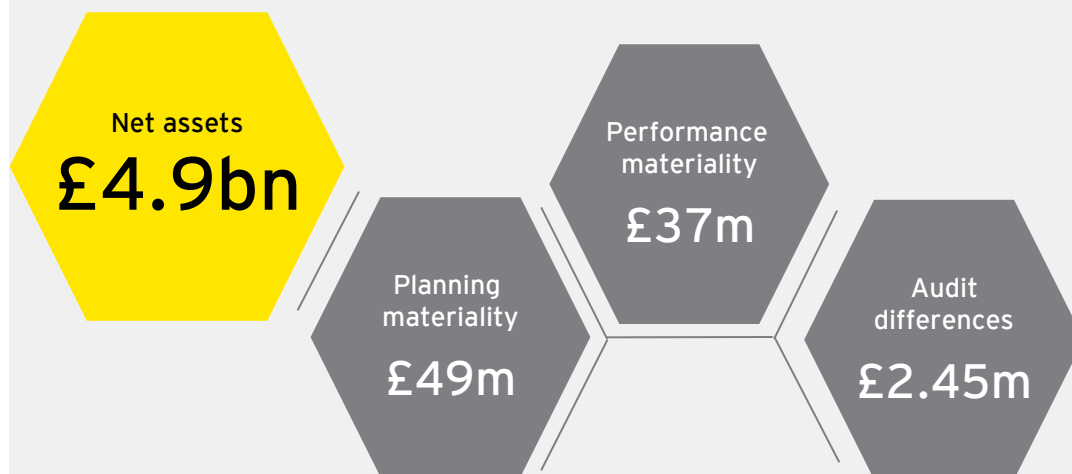
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2021/22 has been set at £49.084 million. This represents 1% of the Pension Fund's Net Assets (Draft financial statements). It will be reassessed throughout the audit process. In an audit of a pension fund we consider the net assets to be the appropriate basis for setting the materiality as they represent the best measure of the schemes' ability to meet obligations rising from pension liabilities. We have provided supplemental information about audit materiality in Appendix D.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £36.813 million which represents 75% of planning materiality – consistent with the prior year level. We have considered a number of factors such as the number of errors in prior year and any significant changes in 2021/22 when determining the percentage of performance materiality.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the Fund Account and Net Asset Statement.

Other uncorrected misstatements, such as reclassifications, misstatements in disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee and Pension Fund Committee, or are important from a qualitative perspective.



04 Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Pension Fund's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers the financial statement audit.

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK), as well as on the consistency of the Pension Fund financial statements (within the published financial statements of Norfolk County Council) with the Pension Fund Annual Report..

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements.

We are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls;
- ▶ Substantive tests of detail of transactions and amounts; and
- ▶ Reviewing and assessing the work of experts in relation to areas such as valuation of the Pension Fund to establish if reliance can be placed on their work.

For 2021/22 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

As in the prior year we will review Internal Audit plans and the results of their work where relevant to this engagement. We consider these when designing our overall audit approach and when developing in our detailed testing strategy. We may also reflect relevant findings from their work in our reporting, where it raises issues that we assess could have a material impact on the year-end financial statements.

IAS19 procedures:

In addition to the above, we also perform procedures on behalf of the Norfolk Pension Fund admitted body auditors concerning IAS 19 reports. Our work specifically focuses on gaining assurance that the data submitted to the actuary agrees to the Pension Fund's systems. This approach minimises disruption to the Pension Fund as only one set of auditors will perform procedures on the data.



05

Audit team



Audit team

The engagement team is led by Mark Hodgson, who has significant experience on Pension Fund audits.

Mark is supported by Sappho Powell, a Senior Manager within our Government & Public Sector team, who is responsible for the day-to-day direction of audit work and is the key point of contact for the Senior Accountant. The audit team will be lead by Sherald Ang, Senior.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions Liability	Hymans Robertson (Norfolk Pension Fund actuary) PwC (Consulting Actuary to the NAO on behalf of audit providers) EY Pensions Advisory Team (if required)
Investment Valuation	The Pension Fund's Custodian and Fund Managers EY Pensions Advisory Team EY Real Estate Valuation Team

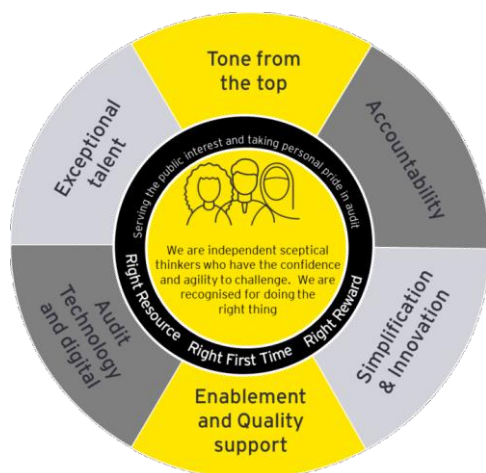
In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Pension Fund's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.

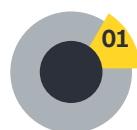


Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

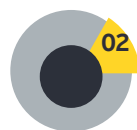
1. Our people are focused on a **common purpose**. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
 - ▶ **Right resources** – We team with competent people, investing in audit technology, methodology and support
 - ▶ **Right first time** – Our teams execute and review their work, consulting where required to meet the required standard
 - ▶ **Right reward** – We align our reward and recognition to reinforce the right behaviours

3. The six pillars of **Sustainable Audit Quality** are implemented.



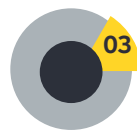
Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



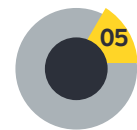
Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



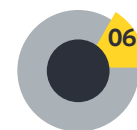
Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are **encouraged and empowered to challenge and exercise professional scepticism** across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

“A series of company collapses linked to unhealthy cultures.....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success.”

Sir John Thompson
Chief Executive of the FRC



06 Audit timeline



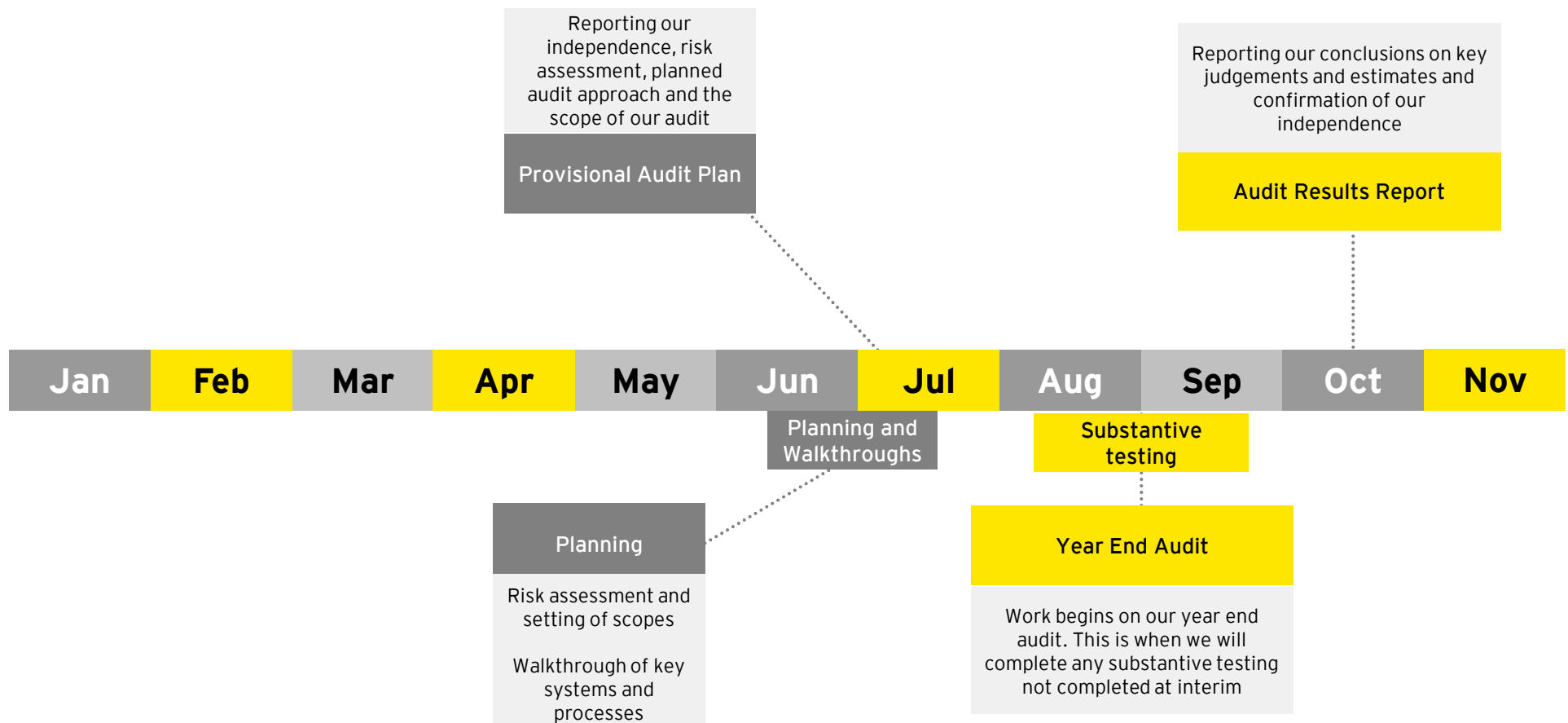


Audit timeline

Timetable of communication and deliverables

Timeline

Below is a proposed timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





07

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit/additional services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Pension Fund. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, there are no non-audit services provided by us to the Pension Fund.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Relationships, services and related threats and safeguards

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Pension Fund. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021: https://www.ey.com/en_uk/about-us/transparency-report-2021



08 Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Planned fee 2021/22	Scale fee 2021/22	Final Fee 2020/21
	£'s	£'s	£'s
Total Fee - Code work	20,866	20,866	20,866
Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 1)	50,006	-	40,005
Additional work required for ISA 540 and other additional audit risk procedures required	TBC	-	3,510
Additional Audit Fee in respect of work on behalf of Admitted Body auditors (recharged to the Pension Fund) (Note3)	9,900	-	10,400
Total fees	TBC	20,866	74,781

In addition, we are driving greater innovation in the audit through the use of technology. The significant investment costs in this global technology continue to rise as we seek to provide enhanced assurance and insight in the audit.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion being unqualified;
- Appropriate quality of documentation is provided by the Pension Fund; and
- The Pension Fund has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Pension Fund in advance.

All fees exclude VAT

Note 1: For 2020/21 and 2021/22 the scale fee has been re-assessed to take into account a number of risk factors impacting the delivery of the audit and is with PSAA Ltd to be determined (increased for PSAA Ltd rate increase in 2021/22).




Note 2: In 2020/21, we had to perform additional procedures to address the change in ISA 540 estimates and for work required on a Prior Period Adjustment as a result of misclassification of Level 2 Investments. These are subject to formal determination by PSAA Ltd. In 2021/22, we have the same ISA540 risk plus additional procedures will be required to gain sufficient, appropriate audit assurance over the new significant audit risk for the change in Custodian.

Note 3: We anticipate charging an additional fee of £9,900 in 2021/22 to take into account the additional work required to respond to IAS19 assurance requests from admitted bodies and their auditors. The Pension Fund can recharge this fee to the relevant admitted bodies. In 2020/21 this included three years of assurance reports for two additional admitted bodies.




Appendix B

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.




		 Our Reporting to you
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Plan (Provisional) - 12 July 2022 - Audit Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - October 2022 - Audit Committee

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - October 2022 - Audit Committee
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report - October 2022 - Audit Committee
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report - October 2022 - Audit Committee
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - October 2022 - Audit Committee




Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan (Provisional) - 12 July 2022 - Audit Committee</p> <p>Audit Results Report - October 2022 - Audit Committee</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - October 2022 - Audit Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit Results Report - October 2022 - Audit Committee
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - October 2022 - Audit Committee

Appendix B

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - October 2022 - Audit Committee
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise.	Audit Results Report - October 2022 - Audit Committee
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - October 2022 - Audit Committee
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan (Provisional) - 12 July 2022 - Audit Committee
		Audit Results Report - October 2022 - Audit Committee
		Auditor's Annual Report - November 2022

Additional audit information

Objective of our audit

Our objective is to form an opinion on the Group's consolidated financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Civic Affairs Committee. The audit does not relieve management or the Civic Affairs Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Civic Affairs Committee reporting appropriately addresses matters communicated by us to the Civic Affairs Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	<ul style="list-style-type: none"> ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement. ▶ Examining and reporting on the consistency of consolidation schedules or returns with the Council's audited financial statements for the relevant reporting period (WGA Return).
Other procedures	<ul style="list-style-type: none"> ▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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Audit Committee

Item No [6]

Report title:	Norfolk Pension Fund Governance Arrangements 2021-22
Date of meeting:	28 July 2022
Responsible Chief Officer:	Executive Director of Finance and Commercial Services and the Director of the Norfolk Pension Fund

Strategic impact

The Audit Committee requested that the Director of the Norfolk Pension Fund report to Committee outlining the ongoing governance arrangements of the Norfolk Pension Fund.

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

Executive summary

Recommendation:

The Audit Committee is requested to consider and agree this report, which details to the Committee the Norfolk Pension Fund governance arrangements, which are fully compliant with legislative requirements, regulatory guidance and recognised best practice.

1. Proposal (or options)

- 1.1 The recommendation is set out in the Executive Summary.

2. Evidence

- 2.1 In line with regulations, the Fund prepares and publishes a Governance Strategy Statement and a Governance Compliance Statement, which measures compliance against best practice guidelines. The Fund is fully compliant with legislative requirements, regulatory guidance and recognised best practice in relation to LGPS governance.

Pensions Committee

- 2.2 As Administering Authority for the LGPS in Norfolk, and in accordance with legislation, the Council has delegated LGPS pensions' matters to Pensions Committee who have 'quasi trustee' status. The 'quasi' status reflects the fact that individual trustees do not have the same legal status as their private sector counterparts. However, like trustees of private sector pensions schemes, their overriding duty is to ensure the best outcomes for the Pension Fund, its scheme members/beneficiaries, and participating employers.
- 2.3 Pensions Committee membership includes representatives of other employers and scheme members, alongside the Council's elected members. This is in compliance with best practice guidelines for LGPS Governance.
- 2.4 The Pensions Committee oversees the management (e.g. administration, strategy and investment) of the Norfolk Pension Fund. Terms of Reference for the Committee, as detailed in Appendix 2 paragraph 3.2 of the Council's Constitution, are as follows:
- 2.5 To administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the Local Government Pension Scheme, and on behalf of Norfolk County Council as an employer within the Scheme alongside all other contributing employers, and on behalf of all scheme members/beneficiaries including: -
- (a) Functions relating to local government pensions etc under regulations made under Sections 7, 12 or 24 of the Superannuation Act 1972.
 - (b) To receive and consider the draft Financial Statements for the Norfolk Pension Fund.
 - (c) To comment on the draft Financial Statements and make a recommendation to the Audit Committee that they be approved/not approved.

Governance Strategy Statement and Governance Compliance Statement

- 2.6 Under Regulation 55 of The Local Government Pension Scheme regulations 2013, LGPS administering authorities are required to prepare, publish and maintain statements of compliance against a set of best practise principles on scheme governance and stewardship. These principles are set out in statutory guidance issued by the Department of Levelling Up, Housing and Communities (DLUCH).
- 2.7 In accordance with this legislation, the Norfolk Pension Fund prepares and publishes each year a Governance Statement and Governance Compliance Statement. Both statements are noted by the Pensions Committee.
- 2.8 The Pension Fund's Governance Statement details roles and responsibilities in relation to the Fund and is attached at **Appendix A**. The Statement is published on the Norfolk Pension Fund website, www.norfolkpensionfund.org

- 2.9 The Fund's Governance Compliance Statement (which measures compliance against best practise guidelines) is attached at **Appendix B**. The Fund's Governance Compliance Statement is incorporated in the published Annual Report and Statement of Accounts. The Norfolk Pension Fund is fully compliant with the principles as set out in the statutory guidance.

Pensions Oversight Board

- 2.10 The Public Service Pensions Act 2013, includes several key provisions relating to the administration and governance of public service pension schemes including the LGPS. Under the provisions of section 5 of the Public Service Pensions Act 2013 and regulation 106 of the LGPS Regulations 2013 (as amended), LGPS funds must set up and operate local pension boards.
- 2.11 In Norfolk the Local Pension Board is referred to as the Norfolk Pension Fund Pensions Oversight Board. The role of the Board is to assist the Norfolk Pension Fund in complying with all the legislative requirements and help ensure that the scheme is being effectively and efficiently governed and managed. The Board's recent programme of work has included oversight of:
- The impact of and response to the coronavirus pandemic on the operations of the Norfolk Pension Fund on behalf of its stakeholders
 - Norfolk Pension Fund's internal structural review programme, including the replacement pensions administration system, and the impact on employers and scheme members
 - Investment pooling (including transition of assets to the ACCESS pool)
 - LGPS reform (including the Good Governance Project)
 - Benefits and Regulatory changes, response and compliance
 - Risk Management and reporting
 - Accessibility guidelines and compliance
 - Retired Member revised engagement plans
 - Smarter working planning
 - Employer Asset Tracking arrangements
 - Audit Reports
 - The Fund's actions to tackle cyber crime

- 2.12 The Terms of Reference for the Norfolk Pension Fund Pensions Oversight Board and minutes of meetings can be found on the Norfolk Pension Fund's website, here [Local Pension Board | Norfolk Pension Fund](#) .

- 2.13 The Pensions Oversight Board has an equal number of employer representatives and scheme member representatives. In addition, an independent chairman has been appointed to oversee the smooth running of the board.

Other Governance Arrangements

- 2.14 The governance arrangements of the Norfolk Pension Fund are further supported by:
- Norfolk Audit Services undertaking internal audits in accordance with an annual internal audit plan agreed by Pensions Committee, which provide

assurances on the adequacy and effectiveness of internal controls and risk management for the Pensions Committee.

- The work undertaken by External Audit (Ernst and Young) and detailed in the annual external audit plan noted by Pensions Committee, to provide an audit opinion on whether the financial statements of the Norfolk Pension Fund provide a true and fair view of the fund's financial position at year end.
- 2.15 Upon completion of the audit of financial statements, the External Auditor will produce a report (ISA 260 – Communication with those charged with Governance), which may include any specific matters of governance which have come to his attention in performing the audit. The Chair of Audit Committee, the Chair of Pensions Committee and Executive Director of Finance and Commercial Services are asked to provide assurance on governance arrangements to the External Auditor highlighting any matters material to the financial statements and possible non-compliance with laws and regulations. The Chair of Audit Committee, the Chair of Pensions Committee and Executive Director of Finance and Commercial Services countersigns the letter on behalf of “those charged with governance”.
- 2.16 The appointment of Ernst and Young to the Pension Fund is separate from their appointment to the County Council.

LGPS Pooling of Investment Assets

- 2.17 The Government requires regional LGPS Funds to work together to “pool investments to significantly reduce costs, while maintaining investment performance”.
- 2.18 Since December 2016, the Norfolk Pension Fund has been working with 10 other ‘like-minded’ Administering Authorities to form the ACCESS (A Collaboration of Central, Eastern and Southern Shires) Pool. The ACCESS Funds are Cambridge, East Sussex, Essex, Hampshire, Hertfordshire, Isle of Wight, Kent, Norfolk, West Northamptonshire, Suffolk and West Sussex. Together the 11 Funds have investment assets of approximately £60 billion (31 March 2022).
- 2.19 Investment pooling is intended to create the scale that will enable access to lower investment manager fees and deliver cost savings to the LGPS. In a pooled investment structure individual funds, like Norfolk, are still responsible for their own investment strategy and asset allocation.
- 2.20 To facilitate pooling, the ACCESS funds jointly drafted a legally binding Inter Authority Agreement (IAA) setting out the governance arrangements for the pooling of investments. Approval for the Norfolk Pension Fund to enter into the IAA for the pooling of assets was given by Norfolk County Council on 20 February 2017.
- 2.21 The ACCESS Pool is governed by a Joint Committee (JC) constituted under s102 of the Local Government Act 1972 and made up of the Chairs from the 11 Pension Committees.
- 2.22 The ACCESS authorities have appointed LINK Fund Solutions Ltd as the Pool's

Financial Conduct Authority (FCA) authorised Operator. The Operator is responsible for selecting and contracting with investment managers on behalf of the authorities participating in the Pool.

- 2.23 To date, ACCESS Funds have collectively pooled around £35bn of investments assets, with Norfolk having pooled assets of around £2bn, comprising the entirety of its public equity investment. Over the course of the next 12 to 24 months, further equity and fixed income sub-funds will continue to be added by the Operator to provide Norfolk and the other ACCESS Funds with a diversified range of investment sub-funds. Work is also ongoing on Pool solutions for alternative assets including private equity, private debt, real estate and infrastructure.
- 2.24 A key element of ACCESS's governance arrangements focus on the robust management of the Operator contract. The ACCESS authorities hold the Operator to account via the JC which is supported by an ACCESS Support Unit hosted by Essex County Council.
- 2.25 An overview of ACCESS's governance structure is attached at **Appendix C**.

3. Financial Implications

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

4. Issues, risks and innovation

- 4.1 Under section 17 of the Crime and Disorder Act 1998, the Council has a statutory general duty to take account of the crime and disorder implications of all of its work and do all that it reasonably can to prevent crime and disorder in Norfolk.
- 4.2 Internal Controls, including those assessed under the use of resources, help by aiming to deter crime, or increase the likelihood of detection through making crime difficult, increasing the risks of detection and prosecution and reducing rewards from crime.
- 4.3 **Other resource implications**
- There were no other resource implications arising from this report.
- 4.4 **Legal implications**
- There were no legal implications arising from this report.
- 4.5 **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.

4.6 Equality implications

Officers have considered all the implications that members need to be aware of and there are no other implications to take into account.

4.7 Human rights implications

There were no human rights implications arising from this report.

4.8 Environmental implications

There were no environmental implications arising from this report.

4.9 Health and safety

There were no health and safety issues arising from this report.

5. Background

- 5.1 The Local Government Pension Scheme (LGPS) is a national scheme, which is governed by statute to meet the pension requirements of Local Government and other associated employers. Although the LGPS is a national scheme, it is administered locally (through 89 Funds across England and Wales which have local accountability). The Scheme has its own Regulator, (DLUCH).
- 5.2 In Norfolk, the LGPS is administered by Norfolk County Council (NCC) and delivered through the Norfolk Pension Fund. The Fund is a multi-employer arrangement which currently has over 425 participating employers and more than 95,000 scheme members.
- 5.3 The Norfolk Pension Fund is maintained separately from NCC. It has a separate bank account, ring fenced assets, a separate budget funded from its own resources and produces its own Statement of Accounts and Annual Report. The Pension Fund accounts are in addition to the statutory disclosures made in NCC's Statement of Accounts.

Officer Contact

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

Officer Name: Glenn Cossey – Director of the Norfolk Pension Fund

Tel No: 01603 228978

Email address: glenn.cossey@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.



Governance Strategy Statement

**This document sets out the
governance arrangements
for the
Norfolk Pension Fund
as at May 2022**

Administering Authority

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

- Norfolk County Council has delegated its pensions functions to the **Pensions Committee**
- Norfolk County Council has delegated responsibility for the administration and financial accounting of the Norfolk Pension Fund to the **Executive Director of Finance and Commercial Services**
- The **Norfolk Pension Fund Pensions Oversight Board** acts as the **Local Pension Board** for the Norfolk Pension Fund

Pensions Committee

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

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



Pensions Committee Trustees*

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

Pensions Committee Membership

There are eight members of the Pensions Committee:

Chairman	Norfolk County Councillor	Judy Oliver
	Norfolk County Councillor	Alison Birmingham
	Norfolk County Councillor	William Richmond
	Norfolk County Councillor	Daniel Roper
	Norfolk County Councillor	Martin Storey
Vice-Chairman	District Councillor (elected by the Local Government Association)	Alan Waters
	District Councillor (elected by the Local Government Association)	John Fuller
	Staff Representative	Steve Aspin
	Observer**	Open to all participating employers
Other attendees	Administrator of the Fund (NCC Executive Director of Finance and Commercial Services)	Simon George
	Director of the Norfolk Pension Fund	Glenn Cossey
	Investment Advisor to the Fund	David Walker
	(Hymans Robertson)	

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

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

Local Pension Board

In line with all public service pension schemes, each Local Government Pension Scheme (LGPS) Fund is required to have a Local Pension Board.

The Local Pension Board for the Norfolk Pension Fund is called the **Norfolk Pension Fund Pensions Oversight Board**.

Role of the Pensions Oversight Board

The role of the **Pensions Oversight Board**, as defined by Regulation 106 of the Local Government Pension Scheme Regulations 2013, (“the Regulations”) is to:

- Assist the **Administering Authority** to secure compliance with:
 - the Regulations and any other legislation relating to the governance and administration of the Local Government Pension Scheme (LGPS);
 - requirements imposed in relation to the LGPS by the Pensions Regulator (tPR); and
 - such other matters as the LGPS regulations may specify
- Assist the **Administering Authority** to ensure the effective and efficient governance and administration of the Norfolk Pension Fund
- Provide the **Administering Authority** with such information as it requires ensuring that any member of the **Pensions Oversight Board** or person to be appointed to the **Pensions Oversight Board** does not have a conflict of interest

The **Pensions Oversight Board** also helps ensure that the Norfolk Pension Fund is managed and administered effectively and efficiently and complies with the Code of Practice on the governance and administration of public service pension schemes issued by The Pensions Regulator.

The creation of the **Pensions Oversight Board** does not change the core role of the **Administering Authority** nor the way it delegates its pension functions to the **Pensions Committee**. The **Pensions Oversight Board** does not replace the **Administering Authority** nor make decisions which are the responsibility of the **Administering Authority** under both the Regulations and other relevant legislation.

The **Pensions Oversight Board** only has the power to oversee decisions made by the **Administering Authority** and to make recommendations to improve the efficient and effective administration and governance of the pensions function, including funding and investments.

The full **Terms of Reference** for the **Pensions Oversight Board** are on the Norfolk Pension Fund website at www.norfolkpensionsfund.org.

Pensions Oversight Board Membership

The **Pensions Oversight Board** has an equal number of scheme member and scheme employer representatives (three of each), along with an Independent Chairman:

Independent Chair	Brian Wigg
Scheme Member Representative	Frances Crum Active/deferred member
Scheme Member Representative	Peter Baker Pensioner member
Scheme Member Representative	Jonathan Dunning Trade union
Scheme Employer Representative	Cllr Chris Walker, Poringland Parish Council Levying/precepting employer
Scheme Employer Representative	Howard Nelson, Diocese of Norwich Education and Academies Trust Non-levying/precepting employer
Scheme Employer Representative	Sally Albrow, Norfolk County Council

Pensions Oversight Board members comply with the Norfolk Pension Fund training policy, and training opportunities are as far as possible are shared with the **Pensions Committee**.

Each member of the **Pensions Oversight Board** is responsible for complying with the knowledge and understanding requirements of section 248A of the Pensions Act 2004.

Pensions Oversight Board Meetings

There are at least two **Pensions Oversight Board** meetings a year and it normally meets quarterly.

Papers, agendas and minutes of these meetings are published on the Norfolk Pension Fund website at www.norfolkpensionfund.org.

In addition, the **Pensions Oversight Board** produce an annual report in accordance with any regulatory requirements.

Executive Director of Finance and Commercial Services

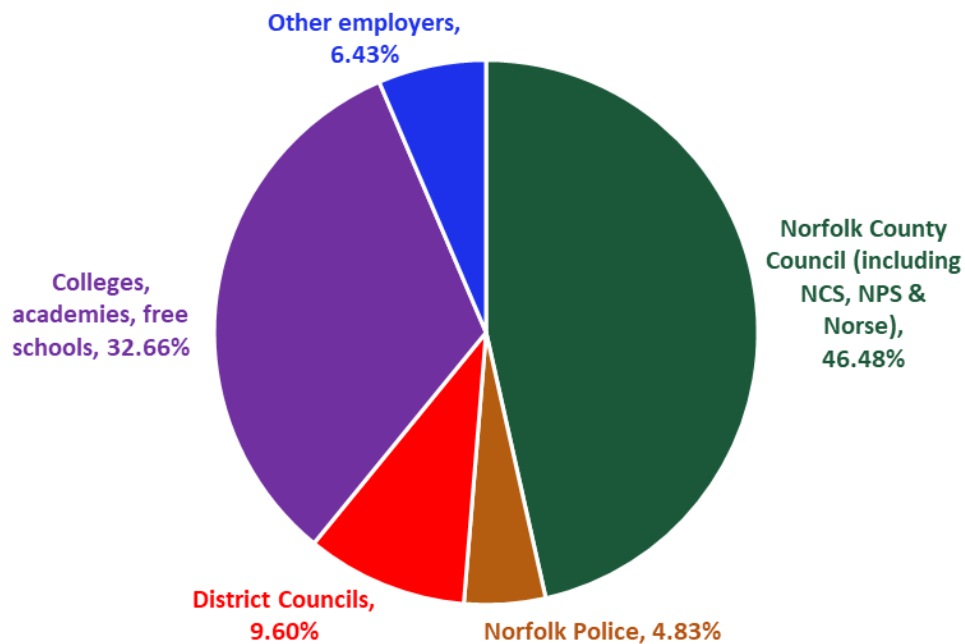
- The **Executive Director of Finance and Commercial Services** is Norfolk County Council's Chief Finance Officer and Section 151 Officer
- As Administrator of the Fund he is responsible for:
 - The administration and financial accounting of the Fund
 - The preparation of the Pension Fund Annual Statement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

Legislation and Regulations

- The Norfolk Pension Fund administers the Local Government Pension Scheme (LGPS) in Norfolk and is governed by the:
 - Local Government Pension Scheme Regulations 2013
 - Local Government Pension Scheme (Miscellaneous Amendments) Regulations 2014
 - Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014
 - Local Government Pension Scheme (Amendment) Regulations 2015
 - Local Government Pension Scheme (Management and Investment of funds) Regulations 2009, and subsequent amendments
- **Pensions Committee** is governed by Norfolk County Council's procedural rules under the Council's Constitution. The Committee's **Terms of Reference** are:
 - "To administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the Local Government Pension Scheme, and on behalf of Norfolk County Council as an employer within the scheme alongside all other contributing employers, and on behalf of all scheme beneficiaries (scheme members) including:
 - Functions relating to local government pensions etc under regulations made under Sections 7, 12 and 24 of the Superannuation Act 1972
 - To receive and consider the draft Financial Statements for the Norfolk Pension Fund
 - To comment on the draft Financial Statements and make a recommendation to the Audit Committee that they be approved/not approved"
- Financial affairs are conducted in compliance with Norfolk County Council's Financial Regulations
- Funds are invested in compliance with the Norfolk Pension Fund's Investment Strategy Statement

Membership of the Fund and Local Accountability

Active Membership Breakdown by Employer as at 31 March 2022



Local Accountability - Representation

Employers

- Employers are directly represented on Pensions Committee and the Pensions Oversight Board
- All employers are invited to regular Employer Forums and the Annual Meeting

Scheme Members

- Scheme Members are directly represented on Pensions Committee and the Pensions Oversight Board
- All active and deferred scheme members are invited to the Annual Meeting and Pensions Clinics; retired members receive two annual newsletters and are directly represented on the Pensions Oversight Board

Membership as at 31 March 2022

426 Contributing Employers

28,490 Pensioners

(members in receipt of a pension from the Fund)

29,985 Active members

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

40,305 Deferred members

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

Local Accountability - Transparency

- The Fund is committed to providing clear, relevant, accessible and timely information to all stakeholders
- How it does this is set out in the annually updated Customer Care and Communication Strategy Statement. This is on our website at www.norfolkpensionfund.org
- Pensions Committee reports, agendas and minutes are published on the Norfolk County Council website at www.norfolk.gov.uk
- Pensions Committee meetings are open to the public
- Pensions Oversight Board reports, agendas and minutes are published on the Norfolk Pension Fund website at www.norfolkpensionfund.org
- The Annual Pension Fund Report and Accounts, reporting on the activities and investment performance of the Fund, and including the Pensions Oversight Board annual report, are on our website at www.norfolkpensionfund.org
- Payments over £500 are published on the Norfolk County Council website at <https://www.norfolk.gov.uk/what-we-do-and-how-we-work/open-data-fois-and-data-protection/open-data/payments-to-suppliers>
- Extracts from the Annual Report and a signpost to the whole document are included in the Annual Benefit Statement sent to all scheme members, and in Primetime, the annual newsletter sent to all retired members
- All scheme members and employers are invited to an Annual Meeting
- All employers and members of the Pensions Committee and Pensions Oversight Board are invited to our Employer Forums. These are an opportunity for employers to discuss matters of interest to their organisations with officers and members

ACCESS Investment Pool

The Norfolk Pension Fund participates in ACCESS (A Collaboration of Central, Eastern and Southern Shires), an investment asset pool of eleven Administering Authorities within the Local Government Pension Scheme (LGPS).

The ACCESS authorities have signed an Inter Authority Agreement which established a Joint Committee at which the Chair from each Administering Authority Section 101 Committee ('Pensions Committee') is represented.

The Norfolk Pension Fund Pensions Committee and Pensions Oversight Board are regularly updated and review the work of the Joint Committee and the Operator, and ACCESS investment performance.

More information can be found on the ACCESS website at www.accesspool.org.

Norfolk Pension Fund

**County Hall
Martineau Lane
Norwich
NR1 2DH**

Pensions Administration

**01603 495923
pensions@norfolk.gov.uk**

Investment, Accountancy and Actuarial Services

**01603 222139
pensions.finance@norfolk.gov.uk**

Online, Technical and i-Connect Queries

**01603 222132
pensions.technical@norfolk.gov.uk**

www.norfolkpensionfund.org



Norfolk Pension Fund



**If you would like this newsletter in large print, audio,
Braille, alternative format or in a different language,
please call 01603 222824 or
email pensions@norfolk.gov.uk**

The Norfolk Pension Fund

Governance Compliance Statement as at June 2022

Local Government Pension Scheme Regulations 2013 (as amended)

Regulation 55

Principle A – Structure

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

- a.

The management of the administration of benefits and strategic management of fund assets rests clearly with the main committee established by the appointing council.

Full Council have delegated responsibility to Pensions Committee to administer all aspects of the Norfolk Pension Fund on behalf of Norfolk County Council as Administering Authority of the scheme, and on behalf of NCC as an employer within the scheme alongside all other contributing employers, and on behalf of all scheme beneficiaries (scheme members). The Norfolk Pension Fund is part of the ACCESS investment pool, and is represented at the ACCESS Joint Committee, however all strategic asset allocation decisions remain with the Norfolk Pension Fund Pensions Committee.
- b.

That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.

In addition to the Norfolk County Council members, 2 district councillors elected by the Local Government Association represent the largest group of employers; an observer seat is available to all other employers. Scheme members (including active, deferred and retired) are represented at Committee by the Staff Representative. Pensions Committee is observed by members of the Local Pension Board (known locally as the Pensions Oversight Board [POB]), made up of employer and employee representatives, and an independent Chair.
- c.

That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.

There is no formal secondary committee or panel. Regular employers’ forums and other activities detailed within the communication strategy ensure effective communication. The Local Pension Board (known locally as the Pensions Oversight Board [POB]) regularly reports to Pensions Committee and POB members observe all Pensions Committee meetings.
- d.

That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.

No formal secondary committee or panel has been established. However, employers are regularly reminded via the Employers’ Forum and Employers newsletters of the observer opportunity at Committee. Scheme members are reminded that they can observe committee meetings via the annual “Your Pension” booklet and also at the Annual Meeting. Some Committee and POB Members also attend Employer Forum meetings and member events

The Norfolk Pension Fund
Governance Compliance Statement as at June 2022
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

Principle B – Representation

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

- a That all key stakeholders are afforded the opportunity to be represented within the main or secondary committee structure. These include:
- i Employing authorities (including non-scheme employers, e.g. admitted bodies)
Two district councillors elected by the Local Government Association represent the largest group of employers. An observer place is available to all other employers. POB: 3 employer representatives; all employers are invited to stand for election to POB.
 - ii Scheme members (including deferred and pensioner scheme members)
Scheme members (including active, deferred and retired) are represented at Committee by the Staff Representative, who has full voting rights. Scheme members are reminded that they can observe committee meetings via the annual “Your Pension” booklet and also at the Annual Meeting. POB: 3 scheme member representatives; all scheme members invited to stand for election.
 - iii Independent professional observers
Hymans Robertson, as Advisers to the Norfolk Pension Fund, attend Committee; they also attend POB as required.
 - iv Expert advisors (on an ad-hoc basis)
Expert advisors are invited to attend committee and POB as and when necessary.

Principle C – Selection and role of lay members

	Not compliant*				Fully compliant
a					√
b					√

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

The Norfolk Pension Fund
Governance Compliance Statement as at June 2022
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

Principle D – Voting

	Not compliant*				Fully compliant
A					√

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

Principle E – Training / facility time / expenses

	Not compliant*				Fully compliant
A					√
B					√
C					√

- a That in relation to the way in which statutory and related decisions are taken by the administering authority, there is a clear policy on training, facility time and reimbursement of expenses in respect of members involved in the decision-making process.
We use Norfolk County Councils' generic elected member remuneration policy, which includes Travel and Subsistence allowances. POB members can claim travel and subsistence costs incurred. In addition, the Fund maintains a training budget for Pensions Committee and POB for the delivery of our on-going members training programme, and related expenses.
- b That where such a policy exists it applies equally to all members of committees, sub-committees, advisory panels or any form of secondary forum.
All relevant individuals / bodies are treated equally, including for example the Staff Representative on Pensions Committee, members of the Pensions Oversight Board (Local Pension Board).
- c That the administering authority considers the adoption of annual training plans for committee members and maintains a log of all such training undertaken.
The Fund maintains and delivers a training strategy. Committee member and POB training needs are considered alongside the 12 month committee agenda planning process. Some aspects of training are business driven and therefore the programme is flexible. This allows us to align training most effectively with operational need / current agenda items, and therefore support member decision making. Regular Member training is supplemented by attending LGA and other associated events, webinars, virtual and in person conferences and training, as well as an annual (more frequently if required) comprehensive bespoke Knowledge and Understanding event, talking to leading experts about all aspects of LGPS Investment and Governance and current issues. A Training Log is maintained.

The Norfolk Pension Fund
Governance Compliance Statement as at June 2022
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

Principle F – Meetings (frequency / quorum)

	Not compliant*				Fully compliant
a					√
b					√
c					√

- a That an administering authority's main committee or committees meet at least quarterly.
The Pensions Committee meets quarterly.
- b That an administering authority's secondary committee or panel meet at least twice a year and is synchronised with the dates when the main committee sits.
There is no formal secondary committee or panel. The Employers' Forum meets regularly, planned around operational requirements; POB meets quarterly, aligned to Committee timetable.
- c That administering authorities who do not include lay members in their formal governance arrangements, provide a forum outside of those arrangements by which the interests of key stakeholders can be represented.
A Staff Representative (who represents all current, deferred and retired scheme members) sits on Pensions Committee, alongside 2 district councillors elected by the Local Government Association to represent the largest employers. An Observer Seat at Committee is also available to Employers not directly represented. Regular Employers' Forums take place. Retired Members engagement is maintained via a dedicated newsletter (in person events were suspended during the pandemic during which period an additional newsletter was introduced); in person Pensions Clinics for all scheme members (including Deferred) were also suspended due to coronavirus from March 2020 but we anticipate they will be reintroduced in Autumn 2022; meantime communications with scheme members is maintained via publications to home addresses, website and employers, and an Annual Meeting is offered. The Pensions Oversight Board (Local Pension Board) has equal employer /scheme member membership.

Principle G – Access

	Not compliant*				Fully compliant
a					√

- a That subject to any rules in the council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that falls to be considered at meetings of the main committee.
*All committee and POB members have equal access to committee papers, documents and advice. POB members observe Committee meetings. Public Minutes of Committee Meetings are published on Norfolk County Councils website:
http://norfolkcc.cmis.uk.com/norfolkcc/Committees/tabid/62/ctl/ViewCMIS_CommitteeDetails/mid/381/id/30/Default.aspx
POB minutes are published on the Norfolk Pension Fund's website:*

The Norfolk Pension Fund
Governance Compliance Statement as at June 2022
Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

<https://www.norfolkpensionfund.org/about/governance-and-investment/local-pension-board/>

The Norfolk Pension Fund
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Local Government Pension Scheme Regulations 2013 (as amended)
Regulation 55

Principle H – Scope

	Not compliant*				Fully compliant
a					√

- a That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.

The Norfolk Pension Fund adopts a holistic approach to pension fund management. Pensions Committee is responsible for all aspects of the management of the pension fund (investment and administration) and delivery of its services, including all relevant budgets, strategies and service planning.

Principle I – Publicity

	Not compliant*				Fully compliant
a					√

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

The Norfolk Pension Funds' Governance Statement and Communication and Customer Care Strategy are published on the Funds' website www.norfolkpensionfund.org, and included within the Pension Fund Annual Report (which is also published on our website), with hard copies of each available on request. Employers are reminded via the Employers Forum and Employers Newsletters that there is an observer seat at Committee for Employers not directly represented. Scheme Members receive an annual booklet with news of the Funds performance, legislative changes and other relevant pension's news, and are invited to a formal annual meeting. Whilst Retired members cannot currently attend in person events, a second annual newsletter has been introduced. All scheme members and employers are invited to stand for membership of the Pensions Oversight Board (Local Pensions Board).

ACCESS GOVERNANCE STRUCTURE



Audit Committee

Item No. 7

Decision making report title:	Senior Information Risk Officer Annual Report 2021-22
Date of meeting:	28th July 2022
Responsible Cabinet Member:	Andrew Proctor, Leader - Governance and Strategy
Responsible Director:	Paul Cracknell, Executive Director of Strategy & Transformation
Is this a key decision?	No

Executive Summary

The Council has a duty to ensure sound internal controls and risk management including for Information Governance. While the Head of Paid Service has overall accountability for ensuring the Council's compliance with legislation, regulation and guidance, the Council has an Information Governance Framework that sets out;

- The principles that guide the use of information
- The key aims for information governance
- Information governance roles and responsibilities
- The governance structure in Norfolk County Council

The role of the Senior Information Responsible Officer (SIRO) is key to ensuring that the Framework is implemented, and their accountabilities are stated as;

- The SIRO is a Senior Officer responsible for reporting on information risks and governance and ensuring that Information Governance is embedded across Norfolk County Council so that the potential Information risks are mitigated. Where information risks are identified the SIRO will make the final decision as to whether they are acceptable, and any actions needed to reduce / eliminate.

The current SIRO is Andrew Stewart (Director Insight & Analytics) and Helen Edwards is the Data Protection Officer (DPO) to ensure separation of duties.

This report provides an annual assurance statement to confirm that there are adequate systems and processes in place around Information Governance, and updates on the activity that has taken place to ensure a robust Information Governance culture.

Good progress continues to be made to strengthen the Information Governance position to ensure that we continue to comply with the relevant legislation following our exit from the EU and during an unprecedented period of the use of personal data needed to support Norfolk's fight against Covid.

Recommendations To:

1. Consider the SIRO's annual statement on Information Governance and agree appropriate actions have been taken and there is a clear plan for further improvement

2. Consider and agree that the SIRO role, described in the Council's Information Governance Framework, has been adequately discharged.

1. Background and Purpose

- 1.1. This paper is designed to outline the activity that has been undertaken to ensure that the responsibilities held by the SIRO have been effectively discharged.

The Council's Information Governance Framework sets out the roles and responsibilities in relation to Information Governance, including the SIRO. The SIRO is delegated responsibilities in relation to Information Governance and is, 'a Senior Officer responsible for reporting to Corporate Board on information risks and governance and ensuring that Information Governance is embedded across Norfolk County Council so that the potential Information risks are mitigated. Where information risks are identified the SIRO will make the final decision as to whether they are acceptable, and any actions needed to reduce / eliminate.'

2. Proposals

- 2.1. The Audit Committee, as those charged with governance, are asked to consider the SIRO's annual statement on the effectiveness of the information governance as part of their delegated role and agree appropriate actions have been taken and there is a clear plan for further improvement. They are also asked to consider and agree that the SIRO role has been adequately discharged.

The following are the key updates resulting from the work of the SIRO over the 2021-2022 year:

- Information Governance Steering Group continues to meet bi-monthly to ensure clear escalation and accountability for information risks. This group comprises SIRO, DPO, IMT, Caldicott Guardians (Adults' and Children's), Risk and, recently widened to include key information users from HR, Finance and CES.
- Completion of the mandatory training for Information Governance (Data Protection Essentials) and Online Information Security continues to be a focus and we are now consistently achieving 95% overall. It should be noted that 95% is considered by NHS Digital to be the standard required to allow access to their data.
- Freedom of Information requests continue to be handled effectively with over 94% being responded to within the statutory 20-day timescale in 2021.
- Initiation of the Paperchase project to centralise and rationalise the manual files that we hold into one location. Over 12k boxes of files held elsewhere have moved to a single location with clear owners now identified.
- Initiation of the Electronic Storage Programme designed to migrate all documents to SharePoint, reducing information held and enabling application of retention policies at a document level.
- Implementation of a clear MS Teams Recording procedure to allow the use of the functionality with tight controls around storage, sharing and deletion.
- Information Governance support has continued to be provided across the Council to deliver our Covid response with the focus turning to deletion of information as required under Control of Patient Information (COP) regulations which ends in June 2022.
- Centralisation of scanning process for UK GDPR access requests to improve efficiency and turnaround times along with continued positive engagement with Police and CPS around disclosures to "protect the public of Norfolk and ensure an open and fair justice system".
- Between April 2021 and March 2022, we self-notified 8 breaches to the Information Commissioners Office (ICO). All have been closed by the ICO with

no further action required or fines issued. In addition, the council has received correspondence from the ICO in relation to 2 cases which we did not self-notify to the ICO as we did not believe they met the threshold. Both have been closed by the ICO with no further action. All breaches continue to be monitored and action taken to improve controls to avoid reoccurrence.

- New DPIA form launched to ensure compliance and improve user experience along with further awareness of DPIA requirements such as a prompt in Committee Paper approvals to ensure completed.
- The delivery of an online Subject Access Request form and internal breach reporting form have improved the ease and efficiency of both processes.
- Continued review and allocation of resource within the Information Governance team to ensure they are providing the most effective support to both internal and external customers.
- Information Governance related risks are documented in the Corporate Risk register and regularly reviewed to ensure focus at an appropriate level.

Annual SIRO Statement 2021-22

Following reasonable and appropriate enquiries and in fulfilment of my accountabilities under the Information Governance Framework, I confirm that the Council has adequate systems and processes in place around Information Governance and any potential information risks have been mitigated. Further progress has been made in key areas such as process efficiencies, information governance controls and training, while activity is ongoing to strengthen the Information Governance agenda further.

– **Andrew Stewart, Director Insight & Analytics & SIRO**

3. Impact of the Proposal

- 3.1. Good Information Governance supports compliance with the UK General Data Protection Regulation and the requirement for sound internal control and risk management in the Accounts and Audit Regulations 2014 (as amended in 2020).

4. Evidence and Reasons for Decision

- 4.1. As detailed in the key updates, a significant number of actions have been taken in 2021-22 that have strengthened Information Governance within the Council and will ensure that the SIRO can continue to manage information risk.

Key measures continue to be tracked to provide assurance that Information Governance is being appropriately managed across Norfolk County Council and action can be taken as required to address any exceptions.

The current key measures and progress are shown below, for awareness:

- 1. Information Governance Framework and procedures**
 - a. Framework in place
 - b. Procedures centralised and review begun
- 2. Awareness and accountability**
 - a. Information Governance mandatory training – 95%+ completion.
- 3. Monitoring and assurance**
 - a. Information Governance Steering Group held bi-monthly.
 - b. Information Governance Group held bi-monthly.
 - c. Internal Audit review of key processes
- 4. Information Management**
 - a. Subject Access Request backlog stable – process improvements continue to improve situation
 - b. Freedom of Information Requests – within timescale.
- 5. Information security**

- a. Online Information Security mandatory training – 95% completion.

6. Collection and use of personal information

- a. Breaches – numbers reported remain constant at around 30 per month
- b. Data Protection Impact Assessments – new form launched to ensure compliance and improve usage.

Future deliverables that have been identified to further improve Information Governance in 2022-23 include:

- 1. Further utilisation of technology to improve Information Governance e.g., Delivery of the Electronic Storage Programme to better manage documents including retention policies.
- 2. Continued process improvements to improve outcomes and efficiency of Subject Access Requests
- 3. Update and review of all Information Governance policies and procedures to ensure accessible and fit for purpose
- 4. Monitor potential regulatory changes and implement as required such as the Data Reform Bill which was part of the Queens Speech in May 2022.

5. Alternative Options

- 5.1. The alternative is not to accept the SIRO statement or to accept the future activity planned. This would risk not having robust information governance in place and would likely be detrimental in meeting relevant regulations.

6. Financial Implications

- 6.1. The service expenditure falls within the parameters of the annual budget agreed by the council.

7. Resource Implications

7.1. Staff:

There are no staff implications.

7.2. Property:

There are no property implications.

7.3. IT:

There are no IT implications.

8. Other Implications

8.1. Legal Implications

There are no specific legal implications to consider within the report.

8.2. Human Rights implications

There are no specific human rights implications to consider within the report.

8.3. Equality Impact Assessment (EqIA) (this must be included)

No implications.

8.4. Health and Safety implications (where appropriate)

There are no health and safety implications.

8.5. Sustainability implications (where appropriate)

There are no suitability implications.

8.6. Any other implications

There are no other implications.

9. Risk Implications/Assessment

9.1. Not applicable.

10. Select Committee comments

10.1. Not applicable.

11. Recommendations

11.1. See Executive Summary above.

12. Background Papers

12.1. Information Governance Framework (<https://intranet.norfolk.gov.uk/tasks/information-governance/information-governance-framework>)

Officer Contact

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

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

Audit Committee

Item No: 8

Report Title: Norfolk County Council's Insurance Strategy

Date of Meeting: 28 July 2022

Responsible Cabinet Member: Not applicable

Responsible Director: Simon George, Executive Director of Finance and Commercial Services

Is this a Key Decision? No

If this is a Key Decision, date added to the Forward Plan of Key Decisions:

Executive Summary

The Council's Constitution includes in the Audit Committee's Terms of Reference (part 4.4) for risk management to, 'Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the council and ensure that the Full Council is kept sufficiently informed to enable it to approve the Council's risk management Policy and Framework and that proper insurance exists where appropriate.

Providing insurance cover is one of the accepted methods of reducing the impact of risks to the Council and subsidiary companies. The payment of a premium to an insurer, thus offsetting the risk, allows the Council to purchase protection against a breach of its duty where the insurer will indemnify the insured against financial loss.

This report provides the Audit Committee with information relating to the Insurance Strategy to ensure the adequacy of the insurance provision for Norfolk County Council. The Insurance function is part of the Finance and Commercial Services Department.

The strategy provides members with assurance the insurance provision is delivered in an appropriate manner following industry practices.

Recommendations:

1. **To Consider and agree that the Insurance Strategy provides proper insurance provision for the Council and subsidiary companies.**

1. Background and Purpose

- 1.1 As part of the recent internal audit into insurance governance it was identified that there was no formal, documented Insurance Strategy. The Assistant Director of Finance (FES) confirmed that historically governance of insurance arrangements was included in a Risk and Insurance Strategy. This is now defunct as these functions now operate separately, and a separate Insurance Strategy has not been implemented.
- 1.2 It was identified that a strategy for insurance procedures and practice should set out and provide assurance on the vision, mission, objectives, and medium-term plans for the function, including for best value.
- 1.3 The audit identified that without a documented and approved Insurance Strategy the Council may not be able to demonstrate that Insurance Governance Arrangements are appropriate and working as expected.
- 1.4 The strategy has been reviewed and compared to other Local Authority documents to ensure industry standards by out broker, Aon. They have reported that the strategy is comparable to other such documents and has provided them with assurance of Norfolk County Council's competency around the procurement and delivery of insurance services.

2. Proposal

- 2.1 This report seeks to introduce the Insurance Strategy and provide assurances to Members that the procurement of insurance, fund management and claims handling follows an appropriate process as contained within the strategy.

3. Impact of the Proposal

- 3.1 It can be demonstrated that there is adequate insurance provision in place to protect the employees and assets of the of the Council and subsidiary companies. Additionally, the appropriate processes and procedures are followed to secure the insurance provision.

4. Evidence and Reasons for Decision

- 4.1 Without a documented and approved Insurance Strategy NCC may not be able to demonstrate that Insurance Governance Arrangements are appropriate and working as expected.
- 4.2 In addition, roles and responsibilities of the Insurance team, Senior Managers and DMT's may not be understood and fulfilled.

5. Alternative Options

- 5.1 There are no alternative options.

6. Financial Implications

- 6.1 There are no financial implications to note within this report.

7. Resource Implications

- 7.1 **Staff:** There are no staff implications.
- 7.2 **Property:** There are no implications to property to highlight within this report.
- 7.3 **IT:** There are no specific IT implications to highlight in this report

8. Other Implications

- 8.1 **Legal Implications:** There are no legal implications to highlight within this report.
- 8.2 **Human Rights Implications:** There are no human rights implications to highlight within this report.
- 8.3 **Equality Impact Assessment (EqIA) (this must be included):** There are no Equality impact assessments to note within this report.
- 8.4 **Data Protection Impact Assessments (DPIA):** There are no data protection implications to highlight within this report.
- 8.5 **Health and Safety implications (where appropriate):** There are no Health and safety implications to note within this report.
- 8.6 **Sustainability implications (where appropriate):** There are no sustainability implications to highlight within this report.

8.7 **Any Other Implications:** There are no other implications highlighted on this report.

9. Risk Implications / Assessment

9.1 Not applicable

10. Select Committee Comments

10.1 Not applicable

11. Recommendations

11.1 See Action Required in Executive Summary above.

12. Background Papers

12.1 Norfolk County Council's Insurance Strategy.

Officer Contact

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

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

Norfolk County Council and subsidiary companies

Insurance Strategy

- 1. Introduction**
- 2. Risk Financing and Insurance**
- 3. Insured Risks**
- 4. Insurance Programme**
- 5. Insurance Fund**
- 6. Strategic Objectives**
- 7. Procurement**
- 8. Insurance Broker**

1. Introduction

The Norfolk County Council insurance strategy provides the framework to ensure that the organisation has in place the best balance between external insurance and self-insurance. In addition, it ensures that there are robust arrangements in place for handling insurance claims and the calculation and maintenance of the insurance reserve (Insurance Fund).

The key strategic elements of the insurance strategy are set out in detail within the remainder of this document, they are:

Strategic objective 1: To maintain an adequate Fund to meet the current and future liabilities and to support the Council and subsidiary companies insurance programme.

Strategic objective 2: To maintain an insurance programme that provides the appropriate balance between the risks insured in-house (self-insured) and those procured from external insurers.

Strategic objective 3: To maintain suitable operational policies for handling insurance claims, recharging to services and presentation of risks to insurers.

Strategic objective 4: To proactively manage and investigate all claims made against the Council and subsidiary companies, using current legislation for the detection and prevention of fraud and to achieve best case claim settlements.

2. Risk Financing and Insurance

Insurance is a financial mechanism through which an individual or organisation can transfer an unknown potential liability into the certainty of a smaller but fixed annual premium. By combining a number of exposures into a single group, an insurer can predict the probability of a loss relating to uncertain events with a degree of accuracy for the group as a whole. With large organisations, such as the Council and subsidiary companies, that combining of large numbers of exposures can be undertaken across the organisation with similar degrees of accuracy in relation to possible losses to the whole organisation.

The Council has, for many years, followed the strategic approach of self-funding insurable losses, using external commercial insurance to provide a limit to financial liabilities. The self-funding element is known as the excess or deductible and under this arrangement losses below the excess are met from a fund of money set aside for the purpose on the basis of defined events, as if there was conventional insurance cover. The payment of an insurance premium to an insurer provides a fixed, known cost for what is, an unknown outcome, we do not know in advance the amount of claims we are likely to have.

By adopting a high deductible, the Council and subsidiary companies can take advantage of a reduction in the costs of external premiums. The insurer is only taking on the risk at a catastrophic level, most claims brought against the Council and subsidiary companies fall below the level of the deductible. In the event of a catastrophic event there is only liability for the costs to the level of the deductible.

However, these claims must be funded and each year we set aside an insurance provision in the Insurance Fund to meet claims resulting from incidents below the deductible which have occurred during the year. The Fund includes reserves to cover potential claims arising from incidents in that year but where the claims are received in the future, these claims are known as Incurred but not reported (IBNR). The Fund is also available to cover the payments for settled claims that occurred in previous years for which an internal premium has been taken.

3. Insured Risks

Many of the risks that the Council and subsidiary companies face can be managed and/or reduced through proactive risk management. There is in place a risk management strategy that ensures mechanisms and tools are in place for risks to be identified, owned, treated, and managed.

Having in place strong and embedded risk management arrangements across both the Council and subsidiary companies allow for the retention of risks (below the deductible) and the purchase of insurance cover, the catastrophe level, for those above.

Liability risks

There are a number of liability risks that the Council and subsidiary companies face, such as claims for negligence made by customers, residents and employees. Given the varied activities of both the Council and subsidiary companies the risk exposure is wide ranging and is covered by our Public Liability policy. These types of claims tend to be high in volume and can be low/medium in value depending upon the nature of the claim. Employee Liability claims tend to be low in volume and medium value, however an occasional serious injury or disease claim can result in a high value claim.

For Public and Employers Liability the Council and subsidiary companies takes out insurance with a high deductible to protect against the occasional high value claims. Within the Public Liability policy there is a level of Professional Indemnity cover. This provides protection for the Council and subsidiary companies against the cost of claims resulting in a loss or damage from negligent services or advice that is provided by the service or an employee.

Motor risks

The Council and subsidiary companies owns/leases many vehicles in a mixed and varied fleet, including cars, vans, trucks, refuse freighters and many blue light vehicles. All motor incidents involve a driver employed by the Council or a subsidiary company which allows investigation to be undertaken quickly, providing timely third-party responses resulting in reduced costs. Trends are analysed and reported back to departments to ensure risks are mitigated in the best possible ways. Motor claims tend to be high volume, but low/medium value and we take out insurance with a high deductible and self-insure the frequent low value risks.

Property risks

The Council and subsidiary companies own a substantial property portfolio including office accommodation, schools, and commercial properties. Individual property values, the cost of rebuilding following a total loss are significant, reaching into the multi-millions for some of our property. Property damage incidents are low in frequency and tend to be low in value such as minor fire damage, water ingress, storm damage etc. Within the property portfolio all contents are included, so where there is damage to equipment etc. the policy will cover the loss/replacement. However, the potential exists for an occasional high value property damage claim such as a major fire or flood in an individual building. For this reason, we take out 'all-risks' insurance on property risks (Material Damage) but with a high deductible, this means the Council and subsidiary companies are self-insured against the frequent low value risks but has catastrophic protection in place to protect against the occasional large loss.

Other risks

There are a number of other risk areas that are covered by insurance policies held by both the Council and subsidiary companies. These carry various levels of deductible, depending on the perceived risk and the level of mitigation. These are stand-alone policies, some relate to specific departmental activities such as Airside cover, School Travel and Fine Art. Other policies such as Terrorism and Personal Accident Travel cover all areas of the Council and subsidiary companies.

Where new risks are identified as activities develop throughout the Council and subsidiary companies, specialist or additional policies will be procured. It is the responsibility of all parts of the Council and subsidiary companies through DMT's, Heads of Service and Executive Directors to report additional activity risks to the Head of Insurance.

The level of self-insurance will be determined by periodic reviews of those levels and comparing them to the current commercial insurance market conditions (hard/soft markets, cost of risk transfer). The reviews will look to limit the financial exposure of the Council and subsidiary companies to the cumulative effects of multiple small losses.

Crime - Cover for the direct financial loss of an organisation from specified criminal or dishonest acts committed by employees or third parties. This includes financial loss as a result of unauthorised access to computer systems.

Personal Accident and School Travel - Cover provides compensation in respect of accidental bodily injury to insured persons. In addition, cover for loss or damage to personal belongings, business equipment or money, expenses for foreign medical treatment and associated costs, reimbursement of cancellation or disruption costs, legal expenses in pursuing a third party and indemnity for legal liability to third parties whilst on trips as defined in the schedule.

Directors and Officials Liability – Cover for directors and officers and similar persons as specified in the policy for their personal liability for claims arising from wrongful acts occurring in the management of the business or subsidiary companies.

Fine Art – Covers for fine arts and collectible objects of every description including but not limited to paintings, drawings, prints, rare books and manuscripts, rugs, tapestries, etchings, photographs, numismatic objects, jewellery, sculpture, ceramics, video artwork and other bona fide works of art, or rarity, historic value, or artistic merit.

Terrorism – Covers the loss of or damage to property insured at agreed locations as a result of an act of terrorism, including consequential. (County Hall only).

Contractors All Risks – Covers all risks of physical loss of or damage to the works whether permanent or temporary including materials, contractors plant tools and equipment temporary buildings of any description including contents contained.

Airside - Cover for the legal liability for any third party's bodily injury or property damage caused by the fault or negligence of the insured or any of his employees engaged in the insured's business or by any defect in the insured's works machinery or plant used in the insured's business operations airside. (Norfolk Fire and Rescue Service).

Hired in Plant - Cover for hired in plant to cover the loss or damage to plant used within the Council departments and subsidiary companies (CES/Norse).

Computers – Covers the loss of or damage to computer, ancillary equipment and data carrying materials including breakdown. Additional expenditure incurred if the operations of the Business are interrupted because of an insured event.

4. Insurance Programme

The main insurance programme (Liability, Motor and Material Damage) is obtained through a full procurement process with potential providers responding to a full tender to the market. The tender is produced as a collaboration between our broker, our Procurement Team, and the Insurance Team. The tender is fixed term, with the provider locked in for a set time, usually 3 years with an option to extend for 2 additional years. Additional policies are procured through our broker to ensure that all activities of the Council and subsidiary companies are fully insured against risks.

A requirement of the Insurance Act 2015 is that the Council and subsidiary companies have a duty of fair representation. That is, the Council and subsidiary companies must make a fair presentation of risk. If a fair presentation has not been made and there has been failure to disclose, the insurer is legally able to withdraw all or part of the cover within the policy or charge additional premiums to cover the risks.

To ensure compliance with the Act, at the time of tender and annual renewal, the Insurance Officer will engage with each part of the Council and subsidiary companies by sending renewal questionnaires out to senior managers. The questionnaires are designed to collect information about the specific service so that insurers have a complete understanding of the activities and risks that the Council and subsidiary companies are seeking to insure against.

It is the responsibility of Executive Directors and Heads of Service to ensure the questionnaires are completed correctly and sign off as accurate. Ultimately the responses to the questionnaires have an impact on external premiums and subsequently departmental and company annual premiums. Inaccuracies may result in insurers withdrawing all or partial cover or charging additional premiums.

On completion of the renewal process a renewal report will be sent to each service area outlining the cover that has been provided specifically to that service area. In addition, a report will be sent to the Executive Director identifying all policy cover for that directorate.

Internal insurance premiums are calculated based on several factors, the Insurance Fund requirements, external premiums, and the costs of the Insurance Team. In the first instance top level calculations are produced using this data, and cover the main policies, Liability, Motor and Material Damage. At this level, costs are allocated on a pro-rata basis, Liability on Fund requirements, Motor on fleet size and Material Damage on property and contents values.

Subsequently these top-level calculations are further analysed based on the individual questionnaire responses, the 5-year claims history and estimates of current claims. Once these calculations are complete each individual area within the Council and subsidiary companies is notified of the policies purchased and the associated premiums with breakdowns of the figures within the renewal reports.

5. Insurance Fund

The Council maintains an Insurance Fund sufficient to meet both current liabilities and potential liabilities for which it may become liable. The key reason for maintaining the Fund is so that the Council and subsidiary companies can meet its unpaid retained insurance liabilities, those claims which fall below the deductible.

The level required to meet those liabilities is set by reference to:

- 1) Estimates of current claims.
- 2) Past estimates of outstanding claims.
- 3) Actuarial estimates of future potential claims.

Claims are reserved (estimates) by handlers and are calculated on the realistic outcome based on all available information at the time. As additional information is obtained and considered, the reserve is amended accordingly to reflect the final costs. This allows the actuarial review to consider the true value of the claim at the time of the review. Alternatively, claims can be reserved based on the worst-case scenario, however, this would result in a much higher Fund requirement.

We commission an independent actuary to provide a consolidated view of our current and potential liabilities. This review is undertaken annually, and the actuary will also use market knowledge to estimate the level of funds that we will require to keep in the insurance reserve. Insurance is inherently uncertain, and any model used to estimate the required reserve can only be an approximation to reality. As such, the actual amounts required to meet future claim payments may differ from our estimates. The Fund is regularly reviewed internally by officers to ensure the adequacy of the value of the Fund.

The value of the Fund is adjusted annually following the external review to reflect actual claims incurred but not paid in the year. Adjustments are made to the provision to reflect increases and decreases in the claims incurred in the year. The overall Fund value, which includes the self-insured reserve and provision, will reflect overall the actuary's calculation of the amount required to meet current and future liabilities.

6. Strategic Objectives

Strategic objective 1: To maintain an adequate Fund to meet the current and future liabilities and to support the Council and subsidiary companies insurance programme.

The Insurance Fund is used when the Council and subsidiary companies become legally liable to settle a claim that has been made against it or its officers and elected members. The Council and subsidiary companies will be liable for the cost of settlement which is below the external insurance policy excess. Officers will keep the Fund under regular review and may adjust reserves to reflect any increase in levels of self-insurance. The Fund is reviewed as part of any audits undertaken by external auditors. The Fund requirement is reviewed annually by external actuaries to ensure that there are adequate funds to meet all potential liabilities.

Strategic objective 2: To maintain an insurance programme that provides the appropriate balance between the risks insured in-house (self-insured) and those procured from external insurers.

The balance between the levels of risk taken on by the Council and subsidiary companies through self-insurance and external insurance will be reviewed in collaboration with our broker. A number of options will be considered to reflect the Council and subsidiary companies appetite for risk, (the self-insurance element), historical claims data, future risks identified by industry updates and the overall cost of insurance cover.

Where there are significant changes to the insurance programme and a decision is required that impacts on the whole Council and subsidiary companies a paper will be sent to Cabinet for approval.

An annual report on Insurance will be sent to the Audit Committee to demonstrate that DMT's are aware of all current, changing and new insurable risks, and insurance arrangements are in place to protect the Council and subsidiary companies. It is the responsibility of Executive Directors and Heads of Service to notify the Head of Insurance of any changes of risk during the policy year to ensure there is no breach of the Insurance Act.

Strategic objective 3: To maintain suitable operational policies for handling insurance claims, recharging to services and presentation of risks to insurers.

The Insurance Team works with departments to ensure that the appropriate level of insurance cover is in place, particularly as new risks are taken on. Departments and subsidiary companies are required to complete annual questionnaires at renewal, signed off by Executive Directors or Heads of Service outlining the activities they are undertaking. Liaison between the Insurance Team and the service will be through a nominated Insurance Lead. In addition, asset (property contents and motor vehicles) and employee data will be reviewed as part of the annual renewal process and presentation of risks to the insurance market. The Insurance Team works with insurers and the broker to manage developing risks as a result of changes in the regulatory and legal environment and put in place or enhance insurance cover to protect the Council and subsidiary companies overall exposure to risk.

The team provides regular reports to specific area within the Council and subsidiary companies so that trends can be managed. This ensures that operational managers can address areas that are showing high levels of claims and should assist in mitigating those risks.

The cost of insurance is managed by the Insurance Team and recharged on an annual basis. Departments, schools and subsidiary companies are re-charged for the cost of the insurance cover that they benefit from. This also included operational risk management advice and support as required. The total cost of insurance will be recharged to services to reflect the overall cost in providing this service.

Strategic objective 4: To proactively manage and investigate all claims made against the Council and subsidiary companies, using current legislation for the detection and prevention of fraud and to achieve best case claim settlements.

Procuring the various insurance policies is relatively straightforward. The on-going management of the subsequent claims that are received by the Council and subsidiary companies is a much more complex activity. To ensure that claims handling is effective, professional and in line with relevant legislation there are a number of procedures in place to maintain the high levels of denial. The Insurance Team handles all classes of claims, across all policies below the deductible. They ensure that the settlement of claims is negotiated based on the best possible terms, reducing the cost to the Insurance Fund. The Insurance Team uses a panel of external solicitors to provide support, advice, training, and litigation assistance to ensure all decisions are made appropriately.

The Insurance Strategy and the strategic aims set out within will enable the Council and subsidiary companies to manage current and future risks through operational risk management. It will assist in regularly assessing the balance between self-insurance and catastrophic insurance cover. It will also inform the work with the broker and underwriters to put in place optimum cover arrangements that look to minimise the total cost of insurance, but also provides the correct level of cover to minimise loss to the Council and subsidiary companies.

7. Procurement

We will procure policies or other forms of alternative risk transfer in accordance with the regulatory requirements applying at the time e.g., OJEU procedures, Crown Commercial Services. We will, where appropriate, enter into Long Term Agreements (LTA's) to ensure value for money. These can range from 3 years to 5 years and some LTA's will have the option to extend for a further number of years.

8. Insurance Broker

The Council procures an external insurance broker to provide advice and support to the Insurance team on the day-to-day management of the portfolio. The broker supports market engagement around requests for specialist covers, liaising with insurers when required and assistance with the procurement of policies.

The broker also provides the actuarial service to review the provisions relating to the Insurance Fund to ensure the Fund is reserved at the appropriate level.

Audit Committee

Item No:9

Norfolk Audit Services Annual Report for 2021/22 and Quarterly Report for period ending 30 June 2022

Date of meeting: 28 July 2022

Responsible Cabinet Member: N/a

Responsible Director: Simon George, Executive Director of Finance and Commercial Services

Is this a key decision? No

Executive Summary

The Section 151 Officer has a duty to ensure there is proper stewardship of public funds and that relevant regulations are complied with.

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.

Norfolk Audit Services (NAS) fulfils the internal audit function for the County Council as required by its own Terms of Reference and the relevant regulations and standards, which are considered annually by the Committee. Our work is planned to support the County Council's [vision and strategy](#), 'Better Together, for Norfolk'.

This annual report sets out in section two under the proposals:

- Our opinions
- Our Quality Assurance and Improvement Programme
- Our Performance
- Issues, risks, staffing and innovation (Section 8)
- Council's Financial Statements and Fraud (ISA 240)

The Chief Internal Auditor reviews the effectiveness of the system of internal control, including risk management, throughout the year and reports annually to the Audit Committee. The Chief Internal Auditor reports that, the system of internal control, including the arrangements for the management of risk during 2021/22 was acceptable and therefore considered sound.

The impact of the Covid-19 outbreak for ongoing ways of working, internal controls, risks and governance were continually reviewed, monitored and managed during 2021-22. The Chief Internal Auditor is satisfied that the arrangements in place provide ongoing assurance. The Council is alert to recent local authority Public Interest reports; the risks, consequences and any lessons that can be taken for sustaining and or further strengthening governance, if required to meet new challenges.

Recommendations

To consider and agree: -

- Our opinion on the overall adequacy and effectiveness of the County Council's framework of risk management, governance and control for 2021/22 and for the quarter ending 30 June 2022 is 'Acceptable'.
- The audit service provided by NAS continues to conform with the International Standards for the Professional Practice of Internal Auditing (Public Sector Internal Auditing Standards (PSIAS)) and complies with the Accounts and Audit Regulations 2015 (as amended).
- The Annual Governance Statement (AGS) for 2021/22 will refer to this report and will be reported to this Committee in October 2022 for its approval.
- The impact of Covid-19 for ongoing ways of working including hybrid working, internal controls, risks and governance were continually monitored and managed and assurance was provided to the Committee through regular reporting.
- That the Committee continue to review information on the effectiveness of the management processes and corporate control functions (legal, financial, information, health and safety and human resources services performed) as provided by internal audits, self-assessment, customer feedback and any existing external performance reviews.

1. Background and Purpose

- 1.1 The Council must undertake sufficient internal audit coverage to comply with the Accounts and Audit Regulations (England) 2015, as amended. The allocation of audit time was based on a risk assessment and this was continuously reviewed throughout the year.
- 1.2 This report supports the remit of the Audit Committee in providing proactive leadership and direction on audit governance and risk management issues. The purpose of this report is to update the Audit Committee on the progress with the delivery of the internal audit work and to advise on the overall opinion on the effectiveness of risk

management and internal control. The report sets out the work to support the opinion and any matters of note.

2. Proposals

2.1. The Audit Committee are recommended to consider and agree: -

- The recommendations above
- The key messages below that support those recommendations.

2.2. The key messages are as follows:

Accounts and Audit Regulations (England) 2015 (as amended in 2020)

2.3. Under these regulations, the County Council ('the Council')

- 'must ensure that it has a sound system of internal control which (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk.
- 'must, each financial year (a) conduct a review of the effectiveness of the system of internal control' and '(b) prepare an annual governance statement.'
- 'must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

Planning considerations

2.4. In compiling our Internal Audit Plan, we considered the requirement to produce an annual internal audit opinion and report, that could be used by the Council to inform its Annual Governance Statement (AGS), and the need to conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, and ensured sufficient days and a variety of audit areas were included. Our audit plan was regularly reviewed during the year to ensure that the audits we were able to perform addressed the higher risk areas and added value.

Opinion requirements

2.5. Our Annual Report concludes on our overall opinion of the adequacy and effectiveness of the Council's framework of risk management, governance and control, following the completion and outcomes of our audit opinion work.

Other work and our performance

- 2.6. Our Annual Report also covers the outcomes of our grant certification work, audit work for external clients and the performance of NAS.

Our opinions

Internal Control

- 2.7. Our opinion on the adequacy and effectiveness of the Council's framework of control is 'Acceptable'.
- 2.8. In total 55 audits were introduced into the Audit Plan over the course of the audit year. Of these, 18 were deferred and 10 were cancelled, resulting in 27 audits that were completed some of which were watching briefs. Considering the impact of the Covid-19 pandemic and Government Guidance and restrictions, this number of audits was considered proportionate, relevant and sufficient to inform our annual opinion for the purposes of the Internal Auditing Standards.
- 2.9. The 27 audits were classified as follows: -

Opinion	Number
Acceptable – green rated	5
Key issues to be addressed – amber rated	11
Key issues to be addressed – red rated	5
No opinion provided (Mgmt Letters issued and Follow Up audits)	6
Total	27

- 2.10. During 2021/22, we were able to recommence our traded school full audits remotely at schools and completed 26 traded school audits. In 2022/23 we have started completing in-person traded school audits.
- 2.11. There were five red rated audit opinions issued in 2021/22. Summary details, including robust agreed action plans in relation to these audits were reported during our quarterly reporting throughout the year: -
- Highways Bridges Risk Management
 - Health and Safety DSE Assessments
 - Health and Safety Statutory Compliance Checks
 - Public Sector Social Value Act
 - Social Impact Bond Framework Assurance

Progress with the implementation of agreed recommendations

- 2.12. There are 16 audits in 2021/22 which had an opinion of 'Key Issues – Amber' or Red' for which we will be following up progress with the implementation of our recommendations along with the recommendations from a follow up audit completed in this year.
- 2.13. Fifteen audits have reached final report stage and the progress of implementing the recommendations for these audits is actively being monitored. The recommendations for five of these audits have now been implemented and closed. See the table below for further information.

	Number
Total number of recommendations being monitored for implementation as of 30/6/2022	103
Total number of recommendations implemented and closed – verified through management assurance	46
Total number of recommendations implemented and closed – not verified	0
Total number of recommendations implemented and closed – management accepts risk	1*
Total number of recommendations in progress of being implemented	56
Audits: Total audits released for recommendation monitoring	15
Total audits where all the recommendations have been implemented and closed	6

- The cost of implementing the recommendation outweighs the risk

Quarter ending 30 June 2022

- 2.14. A significant part of the audit work completed in the quarter ending 30 June 2022 was the completion of audits within the 2021/22 audit plan. Work also started on the audits in quarter 1 and 2 of the 2022/23 audit plan. Further reporting of delivery and progress with the 2022/23 audit plan will be included in the next quarterly report to the Audit Committee in October 2022.

- 2.15. Appendix A details the final reports issued in the quarter ending 30 June 2022.

Governance

- 2.16. Our opinion on the adequacy and effectiveness of the Council's framework of governance is 'Acceptable'. This is based on the opinion audits where governance was the primary audit scope as well as where governance arrangements were a part of the overall audit scope and also self-assessment work, in relation to the Annual Governance Statement.

Examples of such audits are:- Governance process for the electronic signing and sealing of documents, Hethel Engineering governance, Repton Housing Development Company and Insurance governance arrangements.

- 2.17. It should be noted that the Council publishes its Annual Governance Statement (AGS), which concludes on the fitness for purpose of the Council's governance framework and the review of the effectiveness of the system of internal control, for signature by the Leader of the Council and the Head of Paid Service. That review is informed by the audit opinion work we undertake in the year.

Background to governance

- 2.18. The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The Council has its own [Code of Corporate Governance](#) based on the International Framework: Good Governance in the Public Sector, produced by CIPFA and the International Federation of Accountants (IFAC).

- 2.19. The Council's AGS provides an overall self-assessment of the Council's corporate governance arrangements and how it adheres to the governance standards set out in the Code. Evidence relating to the principles of the Code is reviewed and analysed to assess the robustness of the Council's governance arrangements.

- 2.20. The AGS includes an appraisal of the key controls in place to manage the Council's principal governance risks and the effectiveness of systems and processes governing decision making and financial control.

- 2.21. As part of conducting a review of the effectiveness of the system of internal control (2.3), this Committee has reviewed information on the effectiveness of the management processes and corporate control functions (legal, financial, information, health and safety and human resources services performed) as provided by internal audits, self-assessment, customer feedback and any existing external performance reviews.

Risk management

- 2.22. Our opinion on the adequacy and effectiveness of the Council's framework of risk management is 'Acceptable'.
- 2.23. Our opinion is based on a high-level review of the Council's risk management framework, undertaken during the completion of the Audit Plan for 2021/22, in determining whether to rely on the Council's risk assessments for audit planning purposes, to develop a risk-based plan, as well as the Risk Management Officer's own conclusion, as detailed in the Annual Report for Risk Management 2021/22. This states that 'the Council's system of Risk Management during 2021/22 was sound, adequate, and effective in accordance with the requirements of the Accounts and Audit (England) Regulations 2015 (as amended in 2020).'
- 2.24. In early 2021/22, Zurich Municipal undertook an external performance review of the Council's risk management system to measure the maturity of risk management which provides the Audit Committee with an independent external opinion on the risk management system and the Council's risk maturity. Recommendations from this review continue to be worked through. The implementation of ongoing recommendations will continue into 2022/23, and the remaining timed recommendations not already completed during 2021/22 will be implemented as part of a refreshed risk management strategy for 2022/23."

Background to risk management

- 2.25. It should be noted that the CIA has management responsibility for the corporate risk management system and that safeguards are in place to limit any impairments to independence and objectivity in drawing a conclusion on the adequacy and effectiveness of the risk framework.
- 2.26. These safeguards are detailed below: -
- The Council has a qualified Risk Management Officer.
 - The function undertakes nationally recognised benchmarking and reports this to the Committee.
 - The Executive Director of Finance and Commercial Services has overall responsibility and reports to the Committee quarterly and annually.
 - The External Auditors review the AGS which includes the effectiveness of risk management.
 - External reviews of the Risk Management Framework are undertaken (2.20).

Grants

2.27. We have certified a total of 42 grants during 2021/22 as detailed in the table below:

Grant Name	Total Certified
LGA	
Fire and Rescue Authorities Capital Funding Grant	1
Disabled Facilities Grant	1
CES (Local Transport Capital Block Funding)	1
CES (National productivity investment fund specific fund (A140 Hempnall roundabout))	1
LA Bus Subsidy Ring Fenced Revenue Grant	1
Transforming Care	1
Transforming Cities Programme	1
Covid 19 Bus Support Grant*	1
Travel Demand Management	2
Emergency Active Travel Fund Grant (Capital)	1
EU	
Green Pilgrimage	1
CATCH OTS	1
ENDURE OTS	1
ENDURE	2
CATCH	2
PROWAD	2
MONUMENT	2
MOBI-MIX	2
FACET	2
Internal for UK Government grants	
Police and Crime Panel (PCP)	2
Supporting Families	4

Local Full Fibre Network	4
BDUK	1
16-19 ESFA Funding	
Contain Outbreak Management Fund (COMF)	1
External Clients	
Norse	2
Sheringham Primary Teaching School	2
Total	42

*The emergency nature of some of the grants received means that the Council applied a greater degree of assessment and judgement to determine the appropriate accounting treatment. The grants were reported in the financial reporting to Cabinet and where they were required verification, certificates were completed following reasonable checks to ensure that the conditions had been met.

Norfolk Pension Fund

- 2.28. In total there were five opinion audits in the 2021-22 Audit Plan for the Norfolk Pension Fund. The five opinion audits were classified as follows: -

Opinion	Number
Acceptable – green rated	4
Key issues to be addressed – amber rated	0
Key issues to be addressed – red rated	0
No opinion applicable	1
Total	5

- 2.29. The 'no opinion applicable' relates to the Follow Up of the actions from the Hymans Robertson Future Proofing Review. A management letter was produced for that work.

Other chargeable work

- 2.30. We completed audit work for the EIFCA (Eastern Inshore Fisheries and Conservation Authority) in 2021-22. All our actual time spent on delivering work for EIFCA is charged in full to the client.
- 2.31. We also completed a financial audit for the Norwich Housing Society and are doing another audit for them in 2022/23. All our actual time

spent on delivering work for the Norwich Housing Society is charged in full to the client.

FCE

- 2.32. The Audit Authority (AA) has now resumed site visits for the audits of operations, after two years of remote auditing. During 2021-22, the AA has continued to overcome the various challenges posed by each specific national context and once more completed all the required work in relation to the accounting year ending 30 June 2021 and issued its Annual Audit Opinion within the regulatory deadline (15 February 2022). The report has, once again, been accepted by the Commission with no immediate issues raised. The Audit Annual Control Report will be further discussed at the Annual Bi-Lateral Co-ordination meeting in September 2022.
- 2.33. The delivery of audit work for the next accounting year has started in March 2022 and the first audit site visits took place in April 2022. The planning of system audits is informed by the requirements of the EU regulations concerning what the annual audit opinion is to cover but also by a risk assessment, which considers assurances already available and changes in the external and internal environment or activities undertaken by the Managing Authority and Certifying Authority during the accounting year. The volume of audits of beneficiaries is largely influenced by the volume of claims submitted in the year. As the programme is moving forward into implementation, a greater proportion of the audit time is now spent on audit of expenditure incurred by beneficiaries.

Our Quality Assurance and Improvement Programme

External Assessments

- 2.34. CIPFA, in collaboration with the Chartered Institute of Internal Auditors (CIIA), has produced the [UK Public Sector Internal Audit Standards \(PSIAS\)](#) which came into force on 1 April 2013 and latest revised version is dated, 1 April 2017. CIPFA, in collaboration with the CIIA, also published in February 2019 the [Local Authority Guidance Note \(LAGN\)](#) for the Standards, which remain current.
- 2.35. Our last external quality assessment (EQA) in 2017/18 found that our internal audit activity 'conforms to the International Standards for the Professional Practice of Internal Auditing'. We are currently planning for our next EQA which is due in the Autumn 2022. The results of that EQA will be reported to the January 2023 Audit Committee.

Internal Assessments

- 2.36. The NAS Management Team are responsible for ensuring that internal audit activity continues to conform with International Standards.

- 2.37. All audit work performed by auditors is supervised by a Senior Auditor and a Principal Client Manager.
- 2.38. All audit work is subject to a review during the audit and prior to the issue of the draft report. Coaching notes are raised by the Reviewer and addressed by the Auditor and feedback regarding what the Auditor did well and what they could improve, and any training needs are provided at the end of every audit.
- 2.39. All draft audit reports are reviewed by the Principal Client Managers prior to issue.
- 2.40. The CIA reviews all draft reports (except for school audits) before issue.
- 2.41. The scope of audits (except for schools and grants) are discussed by the CIA and the Principal Client Managers.
- 2.42. The Principal Clients Managers or the CIA review a sample of audit work in each half of the year and report back on any improvements that need to be made by the Team.
- 2.43. During 2021/22 Principal Client Managers have been 'hands on' in the day to day delivery of audits and the appropriate recording of these on our electronic auditing system, which has meant we have not had to undertake specific 'post reporting' quality file checks of our work. The CIA is undertaking this sample review of the 2021/22 audits.
- 2.44. Our internal self-assessments of operations continue to support our EQA opinion that our internal audit activity still 'conforms to the International Standards for the Professional Practice of Internal Auditing'.

Our Performance

Opinion audits

- 2.45. Our targets and progress with achieving our targets is detailed in the table below: -
- All opinion draft reports issued within 10 days of Feedback Meeting (This is based on 27 draft reports; management letters and Follow Up reports are not counted as these have no overall opinion assigned and accounted for six audits in 2021/22)
Not achieved – we issued fewer draft reports within 10 days this audit year (9) compared to the last audit year, 2020/21 (12).
 - To deliver 100% of opinion audits within +/-5% of the agreed cash budget. (Based on 23 finalised opinion audits)
Not achieved – we completed more audits within budget this audit year (17) compared to the last audit year, 2021/22 (8).

- To complete 100% of audits in progress from 2020/21 during the first half of the year. Achieved
- Client Satisfaction Emails (positive, negative, neither positive nor negative).

We sent out 26 Client Feedback Surveys and received 11 replies, all of which indicated that our auditees were 'very satisfied' or 'satisfied' with their audit. The other 15 did not respond to the survey.

- 2.46. We have got better at setting and monitoring budgets and completing audits within budget this year compared to last year. However, we have struggled to issue our draft reports within the 10-day timescale and have issued fewer within this timescale compared to last year. There were five audits which were only up to three days over the 10-day timescale. There are many things which impact on the 10-day timescale such as work patterns and leave; however, with better forward planning of our time and scheduling of reviews, we should be able to return to more issued within this timescale than not.

Norfolk Pension Fund

- 2.47. Out of the five audits, four were completed within +/- 5% of the cash budget, with the provision of the internal audit service coming in within the total budget for the Norfolk Pension Fund.
- 2.48. Out of the five audits, three draft reports were issued within ten days of the feedback meeting.
- 2.49. All the audits have been completed for 2021/22.

Grant Certifications

- 2.50. Charges are made for EU grant certifications, UK Government grant certifications for internal clients and grants certifications for external clients. All of our grant certifications were delivered on time.

Issues, risks, staffing and innovation

Issues

- 2.51. There are no issues to report.

Risk Implications

- 2.52. If we are unable to provide an annual opinion, then the Council may be unable to conclude on the adequacy and effectiveness of its framework for risk management, governance and control.

Staffing

2.53. During 2021/22 we have had four staff members undertaking either the level 4 or level 7 apprenticeship within the Team. Our Trainee Auditor is progressing with their level 4 apprenticeship and is due to complete in September 2022. The other two are our Trainee Internal Audit Managers who are progressing with their level 7 apprenticeships which they are due to complete during 2022/23.

2.54. During the year we have had significant long-term sickness that has impacted on the planned work. We backfilled on a temporary basis for six months and are now able to start the recruitment process for a permanent new Trainee Auditor.

2.55. The staff survey has again reported positive results.

Innovation

2.56. 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.

2.57. Examples of such innovation include how we resource the audit plan through the in-house team to ensure the skills of the team are utilised effectively. We are active within the Home Counties Chief Internal Group as we co-Chair and provide the secretary role to this group and we use this group to share best practices, knowledge and learning to enhance our audit delivery.

2.58. During the winter NCC was appointed as host for the newly established East of England Audit Committee Chairs Forum which is chaired by our Audit Committee Chair and supported by the Internal Audit Management Team. The first Forum was held remotely in March 2022 and planning is underway for an in-person forum on the 2nd August 2022. The purpose of the forum is to bring Audit Committee Chairs together to share information, insights and ideas as part of an enhanced package of support for audit as described in the DLUHC guidance December 2021 <https://www.gov.uk/guidance/measures-to-improve-local-audit-delays>. DLUHC has provided a modest budget for the forum to support its objectives.

2.59. During 2021/22, there was no requirement to commission external providers to undertake any specialist assurance work for us, but the model is in place for future us, should the need arise.

2.60. During 2021/22 we have further planned for and developed data Analytics. Data analytics is a useful tool for performance management, decision making and auditing. Such analysis enables information to be drawn from large or whole populations of system data providing improved and deeper assurance. The Council uses Power BI to undertake data analytics to support performance management.

- 2.61. We have taken a data analytics briefing note to the Executive Leadership Team outlining our proposals to strengthen our use of data analytics within our audit work.
- 2.62. We have updated our audit terms of reference and the way we plan our audits to ensure that each audit topic is considered at the planning stage as to how data analytics may be applied within the audit and the audit team have been trained in respect of this.
- 2.63. We are also discussing with management the data analytic options that come with the new finance and HR system myOracle, how these will be used and our access to all data on this system. Further updates on this area will be provided each quarter.

The Council's Financial Statements and Fraud (ISA 240)

- 2.64. During the year NAS has reviewed the internal controls of some of the Council's main financial systems, expenses (payments to clients, self-managed accounts) and Accounts Payables (Care Sector payments). That work, and the assurance it provides, helps the Audit Committee to reasonably assess the risk that the Council's Financial Statements are not materially misstated due to fraud.
- 2.65. Internal Audit has planned and delivered audits during the year, which include reasonable measures to detect fraud and to give assurance on internal controls that would prevent it. Reports on the audit findings clearly set out those findings which increase the risk of fraud and whose responsibility it is to ensure that recommendations are completed.
- 2.66. The Council has an Anti-Fraud and Corruption Strategy, which covers the scope of this Committee. The Strategy has been applied, where appropriate, throughout the year and any significant fraud investigations have been reported where they have been completed. Therefore, the Audit Committee will be aware of the process for identifying and responding to the risks of fraud generally and of the specific risks of mis-statement in the Financial Statements when they are asked to approve the Annual Financial Statements at the end of the year.
- 2.67. Actual fraud cases that have been fully investigated are reported in summary to the Audit Committee. The Chairman would be informed of any significant fraud which had implications for this Committee. Therefore, the Audit Committee is aware of the arrangements in place for Executive Directors to report fraud to the Committee. The Audit Committee has knowledge of actual or suspected fraud and the actions that Chief Officers are taking to address it when required.
- 2.68. The Anti-Fraud and Corruption Strategy, Whistle blowing Strategy, Money Laundering Policy and the Standards of Conduct are promoted

through staff newsletters and on the Council's Intranet site as well as through training for non-financial managers. The Audit Committee is aware, through the reports it receives, of the arrangements Executive Directors have in place for communicating with employees, members, partners and stakeholders regarding ethical governance and standards of conduct and behaviour. The Council's Audit Committee has responsibility for reviewing the Anti-Fraud and Corruption arrangements. The Audit Committee approved a revised Anti Fraud, Bribery and Corruption Policy and Strategy in April 2021 following the launch of the national strategy 'Fighting Fraud and Corruption locally'.

- 2.69. This Committee also receives this Annual Internal Audit Report, Risk Management reports and other reports giving assurance on the adequacy and effectiveness of risk management and internal control, anti-fraud and corruption measures and of the Council's governance and value for money arrangements. These assurances support the AGS that this Committee considers and approves. Therefore, the Audit Committee oversees management arrangements for identifying and responding to the risks of fraud and the establishment of internal control.

3 Impact of the Proposal

- 3.1 The Accounts and Audit Regulations 2015 (as amended in 2020) require that, from 1 April 2015, the Council must ensure that it has a sound system of internal control that meets the relevant standards. The responsibilities for Internal Audit are set out in the Financial Regulations which are part of the Council's Constitution. Internal Audit follows appropriate standards (the PSIAS).
- 3.2 A sound internal audit function helps ensure that there is an independent examination, evaluation and reporting of an opinion on the adequacy and effectiveness of internal control and risk management as a contribution to the proper, economic, efficient and effective use of resources and the delivery of the County Council's Strategic Ambitions and core role as set out in the County Council's strategy 'Better Together, for Norfolk 2021-2025'.
- 3.3 The internal audit plan will be delivered within the agreed NAS resources and budget. Individual audit topics may change in year which will result in the higher risk areas being include in the plan to inform the annual audit opinion.
- 3.4 As a result of the delivery of the internal audit plan and audit topic coverage, the Committee, Executive Directors, Senior Officers and Managers will have assurance through our audit conclusions and findings that internal controls, governance and risk management

arrangements are working effectively or there are plans in place to strengthen controls.

4. Evidence and Reasons for Decision

4.1 Not applicable.

5. Alternative Options

5.1 There are no alternative options.

6. Financial Implications

6.1 The service expenditure falls within the parameters of the Annual Budget agreed by the Council.

6.2 The costings for NAS remains unchanged, no savings are proposed for 2022/23. We will actively maintain chargeable services and pursue new opportunities when they arise.

7. Resource Implications

7.1 **Staff:** There are no staff implications.

7.2 **Property:** There are no property implications.

7.3 **IT:** There are not I.T. implications.

8. Other Implications

8.1 **Legal Implications:** There are no specific legal implications to consider within this report.

8.2 **Human Rights implications:** There are no specific human rights implications to consider within this report.

8.3 **Equality Impact Assessment (EqIA) (this must be included):** No implications.

8.4 **Data Protection Impact Assessments (DPIA):** There are no DPIA implications.

8.5 **Health and Safety implications (where appropriate):** There are no health and safety implications.

8.6 **Sustainability implications (where appropriate):** There are no sustainability implications.

8.7 **Any other implications:** There are no other implications.

9. Risk Implications/Assessment

9.1 Not applicable.

10. Select Committee comments

10.1 Not applicable

11. Recommendations

11.1 See Action Required in Executive Summary.

12. Background Papers

12.1 None

Officer Contact

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

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

Norfolk Audit Services Final Reports Issued in the Quarter ending 30 June 2022

NOTE: This report is for audits completed to the 30 June 2022. Any audits completed up to the Audit Committee meeting will be reported verbally at the meeting.

Final Reports: - Issued in Quarter 4

2021/22 Audit Plan: -

A. Opinion Work

1. Social Impact Bond

Audit Objectives: - Key Issues - Red

- To provide assurance that sufficient governance and assurance arrangements are in place and are working effectively to ensure the objectives of the grant are being met, to provide assurance that processes are in place to ensure the outcomes and numbers of carers can be met to achieve the overall success of the grant and to provide assurance that processes are in place to ensure the budget is monitored and only spent on revenue.

Robust action plans are in place to address our recommendations as follows: -

Management were asked to: -

- a) Formally document and publish the governance framework to detail the responsible person and group, all the supporting groups, their main roles and how they interact with each other. Governance arrangements to be followed in the future. **Progress** – due for completion 31 August.
- b) Establish clear accountability and ownership of the objectives and the risk management as well as the linkage and reporting between the groups and through to the Council's Cabinet established as part of the governance framework. **Progress** – due for completion 31 August.
- c) Establish clear, regular, and sufficient agendas, minutes and action logs to be made available to the meeting groups to enable them to fully monitor how the project is progressing and provide sufficient understanding and challenge within the governance framework. **Progress** – due for completion 31 August.

- d) Ensure quality assurance reviews are completed in line with procedures and for quality assurance reviews to restart in March 2022, with consideration given to coverage of missed review periods. A central action log to be maintained of all issues, agreed actions and owners for monitoring, follow up and reporting. **Progress** – due for completion 31 August.
- e) Establish a process to ensure duplicate claims are prevented, and to give consideration to previous claims in respect of potential duplicate claims. **Progress** – due for completion 31 August.
- f) Strengthen budget monitoring to ensure a cumulative total for the financial year is available to support the review of spend on budget manager and correct VAT error. **Progress** - Implemented.

2. Public Services (Social Value) Act (PSSVA)

Audit Objectives: - Key Issues - Red

- To ensure sufficient and effective governance has been established to support the expectations of the PSSVA.
- To ensure the County Council has established clear Key Performance Indicators to ensure PSSVA is considered in all contracts and decisions are based on value for money to the authority and achievement of 'Better Together, for Norfolk'.
- To ensure staff responsible for awarding contracts and significant purchases have been made aware of their responsibilities under the PSSVA.

Robust action plans are in place to address our recommendations as follows: -

Management were asked to: -

- a) Designate an overall Lead for driving forward and implementing the County Council's approach for social value.
- b) Consider providing some information about the County Council's approach to social value on the Norfolk County Council website and myNet and review other Local Authorities who have already established good information on their websites to aid this process.
- c) Provide training on public social value and the County Council's approach for this to all Commissioning and Contract Mangers.
- d) Establish metrics and include these in the contract of the successful contractor / service provider, once the element of social value to be delivered has been identified for a contract / service, using all resources available for example, the TOMs Measures Handbook and existing staff within the Growth and Development and Procurement Teams who have the relevant knowledge and expertise to assist.
- e) Establish a method of collating social value metrics from each Directorate so these can be reported to Members, the Cabinet or a relevant Committee as required. The Growth and Development Team

and the Procurement Team should decide who is best placed to complete this and designate a role to undertake this.

- f) Decide where social value metrics should be reported for example, annually to the Cabinet.

All of the above actions are due for completion by the end of December 2022.

3. DSE Assessments

Audit Objectives: - Key Issues - Red

- To provide assurance that Executive Directors and their management team are ensuring that DSE e-learning and assessments are being undertaken, reviewed and appropriate action taken in accordance with NCC's DSE and Computer Workstations Compliance Code P629 to enable NCC to demonstrate compliance with the "Work with display screen equipment: Health and Safety (Display Screen Equipment) Regulations 1992" and where any exceptions are noted, that these are followed up.

Robust action plans are in place to address our recommendations as follows: -

Management (Executive Directors via their Health and Safety Leads) were asked to: -

- a) Ensure that managers and employees within their directorates were aware of their roles and responsibilities for ensuring that DSE assessments were carried out and reviewed every two years in accordance with the DSE and Computer Workstations Compliance Code P629.
- b) Ensure that DSE assessments were up to date, reviewed and action taken (where identified) for all employees who use DSE.
- c) Remind managers and staff to ensure that their e-learning is up to date (i.e., completed within the last two years) for all employees who use DSE to demonstrate compliance with the Code P629.
- d) Remind managers of their roles and responsibilities for ensuring that they and their new employees, who will be working at home, complete form F629 prior to their start date to ensure that they have appropriate DSE equipment when they start work, in accordance with the Code P629.
- e) Remind managers within their Directorate of the retention period for DSE assessments.
- f) Ensure that a visual check of DSE equipment provided for use at home is regularly undertaken by employees and subject to formal testing when due in accordance with the Code P629.

The Health and Safety Wellbeing (HSW) Team were asked to: -

- g) Consider asking directorates to provide written annual assurance to them of their compliance with the DSE and Computer Workstations Compliance Code P629.
- h) Update the Code P629 and the DSE assessment forms to include retention periods or to direct readers to where this is detailed.
- i) Promote the e-learning course in the Friday Takeaway to encourage staff completion.
- j) Explore whether the new myOracle system could aid managers and employees in keeping track of training and when it is due to support managers in monitoring and reporting compliance within the two year training rule.
- k) Update the Code P629 or myNet with details of who completes the formal testing of equipment used at home and how employees and managers go about arranging this when due.

All of the above actions are due for completion by end of July 2022.

4. Scottow Operations

Audit Objectives: - Key Issues - Amber

- To provide assurance that there are appropriate controls in place for the storage, management, and disposal of records at Scottow Enterprise Park to ensure the confidentiality, integrity and availability of data and records is maintained.

Robust action plans are in place to address our recommendations as follows: -

Management were asked to: -

- a) Obtain a copy of their tenancy agreement and from this confirm what the responsibilities of the landlord are, and who completes these for them, and tenant. **In Progress**
- b) Obtain a schedule of the services Norse and any other providers complete for the landlord at Scottow and monitor this to ensure services are completed when due. **In Progress**
- c) Contact the landlord and ascertain what security arrangements should be in place when people working at the Scottow site and their visitors approach the external entrance barrier. If this is not in line with what is happening, the landlord should be informed of that and asked to take action. **In Progress**
- d) Ask Norse to follow up on the fire risk assessment completed by them to confirm all required actions have been completed. **In Progress**
- e) Contact the relevant person at NCC and ascertain what level of security is provided when records are collected for destruction and confirm it is in line with the types of records being destroyed. **In Progress**

- f) Implement a regular inspection routine of the storage area to identify any potential problems to the building fabric which could damage records held. Evidence of these inspections should be maintained. **Progress** - Implemented.
- g) Put in place a procedure or checklist for end of day checks and staff on site should be made aware of their responsibility if they are the last one to leave. **Progress** - Implemented.
- h) Review the processes completed by the Digital Projects Manager to ensure there are suitable business continuity arrangements in place in their absence. **In Progress**
- i) Put in place documented procedures for all the processes completed as part of the Scottow operation. **In Progress**
- j) Complete risk assessments for the operations performed at Scottow and for lone working at the site, consulting with Health, Safety and Wellbeing Team as necessary on health and safety arrangements at Scottow. **In Progress**
- k) Obtain clear, documented instructions from each Directorate regarding who can authorise the viewing of their boxes when a request is made to Scottow and the destruction of their boxes when the disposal date is reached. **In Progress**
- l) Ensure the reminder system is in action as soon as possible to ensure boxes are destroyed when due. **In Progress**
- m) Inform the recipient that the documents will be delivered in a secure pouch when documents are delivered to sites and should be returned in the same way and request that receipt of delivery is confirmed to him. This process should be documented so that a copy of the procedure can be supplied to recipients. **Progress** - Implemented.
- n) Ensure that a contract is in place with Norse for the use of delivery drivers for the Scottow operations including the collection and delivery of records. The delivery drivers should be aware of their responsibilities when delivering the documents and the need to adhere with data protection and confidentiality. **Progress** - Implemented.
- o) Review the boxes 'out on delivery' regularly to ensure that they are returned. More precise details should be recorded on the Inventory Management system to enable the exact location of the boxes to be known at all times. **Progress** - Implemented.
- p) Contact the landlord to obtain permission to install CCTV and use the RING system. If this is given, a privacy impact assessment should be completed, and the landlord's privacy information notice updated as necessary. **In Progress**

5. Repton Development Company

Audit Objectives: - Key Issues - Amber

- To provide assurance that controls in place to govern and manage the build and sale of houses are working in practice.

Robust action plans are in place to address our recommendations as follows: -

Management were asked to: -

- a) Detail the approved and target ROCE in the Project Appraisal Summary within Business Plans for the Lovell sites and the approved and target profit on cost percentage in the Project Appraisal Summary within Business Plans for the Torrington and Norse Consulting sites.
Progress – implemented.
- b) Include the approved and target ROCE for Lovell sites and the approved and target profit on cost percentage for Torrington and Norse Consulting sites in the Financial Forecast by Project appendix within Repton Board's finance report. **Progress** – implemented.
- c) Ensure the Client Representative provides sufficient information in their Dashboard report to assure Repton Board that costs are valid, and future costs have been stated at a reasonable level, based on the progress of the build, the costs incurred to date and the forecasted costs for areas which have not been purchased in advance. Specifically, the Dashboard report should detail what the forecasted cost will be at the end of the project (detailed as 'end of life' cost in reports) for the items detailed above, and in the Financial Overview section, actual costs should also be compared to the budgeted cost for the degree of build completion and the degree of build completion detailed. **Progress** – due for completion in June 2022.
- d) Consider using alternative client representatives on additional schemes beyond the current pipeline, to avoid over reliance on one supplier.
Progress – implemented.
- e) Update the Change Tracker as soon as possible and complete regularly checks to ensure the Client Representative is keeping the Change Tracker up to date for all sites. **Progress** – implemented.

6. Backups and Progress with Actions for Third Party Staff and Supplier Access

Audit Objectives: - Key Issues - Amber

- To ensure the recommendations from the Third-Party Suppliers and Staff Systems Access audit have been actioned and are now in place, and for any which are not completed, that there are clear and agreed actions with timescales for completion.
- To provide assurance that an adequate policy and procedure is in place for backing up all NCC data and systems which provides resilience if one backup method is compromised.

Robust action plans are in place to address our recommendations as follows: -

Management were asked to: -

- a) Implement the actions for seven of the ten recommendations previously made for the Third-Party Suppliers and Staff Systems Access audit which were still outstanding.
- b) Consider attempting a restore of data from the immutable copy to assure themselves that this can be completed successfully. Any decision not to do so, should be signed off by the service lead on a risk assessed basis and advised to the Executive Director of Finance and Commercial Services.

IMT and Information Governance were asked to: -

- c) Consider whether the retention periods for data held in MS platforms in MS Office 365 cloud are adequate and appropriate for our information needs or whether this data needs to be backed up.
- d) Issue guidance to staff on what should and should not be stored in MS Outlook folders, MS Teams, MS OneNote and SharePoint.

All of the above actions are due for completion by the end of September 2022.

7. Governance Process for the Electronic Signing and Sealing of Documents

Audit Objectives: - Key Issues - Amber

- To provide assurance over the adequacy and effectiveness of the controls in place for electronically sealing contracts.

Robust action plans are in place to address our recommendations as follows: -

The Director of Governance was asked to: -

- a) Remind Executive Directors of Appendix 5 of the Constitution, 'Scheme of Delegated Powers to Officers' and their authority regarding expenditure exceeding £1.25M.
- b) Review the Constitution to ensure it contains clear and sufficient information relating to what should be sealed at the County Council.
- c) Ensure the myNet contains sufficient information about when and what documents should be sealed, the information required for this, the sealing process and who to contact in nplaw for advice and guidance and promote this page to staff.
- d) Consider developing a checklist to support staff members who submit documents for electronic sealing to ensure appropriate authority to seal is forwarded to nplaw in a timely manner.

Executive Directors were asked to: -

- e) Make their directors and relevant managers aware of the requirements for contract authorisation over £1.25M and their inclusion on the Forward Plan to Cabinet.

- f) Review any decisions they have made for expenditure exceeding £1.25M in 2021/22 and confirm that the correct approval took place. If they have any concerns, they should consult with the Head of Legal Services regarding the steps to take.

All of the above actions are due for completion by the end of December 2022.

8. Follow Up – Transforming Care Programme

Audit Objectives: - No Opinion provided

- To provide assurance ensure the agreed actions to our findings and recommendations had been actioned or exceptions adequately reported.

Robust action plans are in place to address our recommendations as follows: -

Management were asked to: -

- a) Agree, monitor and assure a deadline for the completion of the agreed actions from the recommendations made as part of the system-wide Peer Review of Transforming Care Action Plan and report any exceptions or delays to the Executive Director.
- b) Obtain and record direct confirmation from the CCG, until the finance protocol is in place, to confirm any agreed split in costs as decided at the Learning Disability Funding Panel where the CCG is not in attendance.
- c) Ensure that the guidance for obtaining consent from patients is completed and approved timely and recorded on the Dynamic Support Register and agree a firm deadline for the completion of this action with the Executive Director and report any exceptions or delays to them.

B. Management Letters

Management letters were issued for the following audits in quarter 4: -

- a) Community Renewal Fund – Quality Assurance
- b) Thematic School audit – Cyber Security
- c) Modern Slavery
- d) Information Governance – Review of Progress with Planned Actions

Audit Committee

**Item
No:10**

Report Title: Risk Management Annual Report 2021/22

Date of Meeting: 28th July 2022

Responsible Cabinet Member: N/A

Responsible Director: Simon George, Executive Director of Finance and Commercial Services

Is this a Key Decision? No

If this is a Key Decision, date added to the Forward Plan of Key Decisions: N/A

Executive Summary

Over the course of the financial year 2021/22, Norfolk County Council has continued to ensure that the risks to the delivery of its strategic objectives have continued to be appropriately managed in accordance with the Council's Risk Management Framework. This fulfils both the Financial Regulations, as set out in the Council's [Constitution](#) (Appendix 15), and the Accounts and Audit (England) Regulations 2015 (as amended in 2020) (Part 2, Internal Control 3(c)) and the Public Sector Internal Audit Standards, for having appropriate risk management arrangements in place for the organisation.

2021/22 continued as a year of the Council working through the effects of the global COVID-19 pandemic, albeit with greater knowledge and experience of dealing with this, and also greater resilience as an organisation.

This report sets out the key messages for risk management from the last financial year and also looks at this current financial year for the Risk Management Function.

Recommendations:

To consider and agree these key messages from the Annual Risk Management 2021/22 Report (Appendix A):

1. The overall opinion on the effectiveness of Risk Management for 2021/22 is 'Acceptable' and therefore considered 'Sound' (part 3 of the report)
2. The Risk Management Function complies with the Accounts and Audit (England) Regulations 2015 (as amended in 2020) and recognised Public Sector Internal Audit standards.
3. Risk management has continued to play a prominent role in the Council's response to the pandemic over the last financial year, in considering risk-based decisions at every level of the Council.
4. The Annual Governance Statement for 2021/22 will refer to this report and will be reported to this Committee in October 2022 for its approval.

1. Background and Purpose

- 1.1 The report at **Appendix A** provides Members of the Audit Committee with further information on risk management for the financial year 2021/22, incorporating the main changes that have occurred within the year. The purpose of this report is to show the key developments and deliverables throughout the last financial year 2021/22, and also includes a forward look, setting out what the Risk Management Function will focus on for the current financial year 2022/23.

2. Proposal

- 2.1 The recommendations are covered in the Executive Summary above.

3. Impact of the Proposal

- 3.1 The impact of the points noted in the recommendations is set out in **Appendix A**.

4. Evidence and Reasons for Decision

- 4.1 Whilst there is no decision to make, evidence to support the Risk Management Function's work over the last annual year is presented at **Appendix A**. The key messages are reported in the Executive Summary above.

5. Alternative Options

- 5.1 As there is no decision to take from this report, there are no alternative options to put forward.

6. Financial Implications

- 6.1 In 2021/22, the Risk Management Function was delivered within the budget allocated for the year. There are no foreseen financial implications for the Risk Management Function for 2022/23.

7. Resource Implications

- 7.1 **Staff:** In Autumn 2021, staff working from home began to return to the office, albeit on a phased return in many cases, mixing with home-working arrangements.
- 7.2 **Property:** As per above, NCC properties were opened back up for staff working from home. To minimise risk of infection, physical modifications were made to the office. Government guidelines were followed to ensure a safe and effective working return to the office environment, and were gradually scaled back appropriately, whilst maintaining all necessary modifications.
- 7.3 **IT:** Throughout 2021/22, staff continued to use Microsoft Teams to collaborate on work and training continued to be rolled out to assist staff with any Teams related queries. Towards the end of February 2022, the Russian invasion of Ukraine triggered increased national vigilance around cyber threat levels for the UK. Norfolk County Council has continued to closely monitor cyber threat levels keeping up to date with best practice measures coming from the National Cyber Security Centre.

8. Other Implications

- 8.1 **Legal Implications:** There are no specific legal implications to consider within this report.
- 8.2 **Human Rights Implications:** There are no specific human rights implications to consider within this report.
- 8.3 **Equality Impact Assessment (EqIA) (this must be included):** None applicable.
- 8.4 **Data Protection Impact Assessments (DPIA):** None applicable.

- 8.5 **Health and Safety implications (where appropriate):** As per paragraph 7.2 above, health and safety considerations were at the forefront of the work carried out to enable office-based colleagues to return to the office in a safe, sustainable, and flexible manner.
- 8.6 **Sustainability implications (where appropriate):** There are no specific sustainability implications to consider within this report over and above the implications of COVID-19 on a sustainable new way of living and working for the foreseeable future.
- 8.7 **Any Other Implications:** There are no other risk implications to consider within this report.

9. Risk Implications / Assessment

- 9.1 The risk implications and assessment for the financial year 2021-22 can be viewed in Appendix A.

10. Select Committee Comments

- 10.1 There are no Select Committee comments to report.

11. Recommendations

To consider and agree these key messages from the Annual Risk Management 2021/22 Report (Appendix A):

1. The overall opinion on the effectiveness of Risk Management for 2021/22 is 'Acceptable' and therefore considered 'Sound' (part 3 of the report)
2. The Risk Management Function complies with the Accounts and Audit (England) Regulations 2015 (as amended in 2020) and recognised Public Sector Internal Audit standards.
3. Risk management has continued to play a prominent role in the Council's response to the pandemic over the last financial year, in considering risk-based decisions at every level of the Council.
4. The Annual Governance Statement for 2021/22 will refer to this report and will be reported to this Committee in October 2022 for its approval.

12. Background Papers

12.1 Whilst there are no specific background papers to consider, it is worth noting that risk management will also be reported on as part of the Council's Annual Governance Statement for 2021/22 coming in October 2022.

Officer Contact

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

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Appendix A
Annual Risk Management
Report
2021-22
Assistant Director of
Finance (Audit) &
Risk Management Officer
Norfolk Audit Services

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- 1. Introduction**
- 2. The Council's Priorities**
- 3. Key Messages and Risk Management Opinion**
- 4. Areas of Good Practice**
- 5. Our Outputs – Risk Management Work**
- 6. Developments of the Risk Management Function in 2021/22**
- 7. Developments of the Risk Management Function for 2022/23**
- 8. Further Information**
- 9. Acknowledgements**

1. Introduction

- 1.1 This section of the report sets out the risk management overview for the financial year 2021/22. Here, the report covers the Council's priorities, the key messages and the risk management opinion, areas of good practice demonstrated over the year, as well as developments for the risk management function both for 2021/22 and 2022/23. Information contained within this report will feed into the Council's Annual Governance Statement where assurance on the risk management function's effective performance will be provided.

2. The Council's priorities

- 2.1 The Council has faced unprecedented challenges during the past two years; living with and responding to the pandemic, rising demand for its services and continuing financial challenges. The Covid-19 crisis affected all aspects of council service delivery, and its impact could be felt for many years to come by individuals, families, services and community groups with the most vulnerable being affected the most. The Council has stood by its partners to deliver services to vulnerable residents, schools, district councils, the Clinical Commissioning Group and the voluntary sector. The Director of Public Health recently issued her [Annual Report](#), detailing the direct impacts of Covid-19 in Norfolk. To set out the Council's priorities, the strategy, [Better Together, for Norfolk 2021-2025](#), has been produced, which is a high level document, which makes clear our intent and represents the Council's strategic priorities. It has been underpinned by a Corporate Delivery Plan and aligned to our medium-term Financial Strategy.

3. Key messages including the risk management opinion for 2021/22

- 3.1 The key messages from the Risk Management Function in 2021/22 are as follows:

- The Council's system of risk management during 2021/22 was sound, adequate, and effective in accordance with the requirements of the Accounts and Audit (England) Regulations 2015. These requirements state that 'a relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk'. 'Sound' is taken to mean that adequate governance, reporting, and assurance structures are in place to manage the risks to the Council's objectives.
- The Risk Management Function received the independent assurance report in May 2021 undertaken by the Council's insurance providers. This measured six different areas of the Risk Management Function, and was a positive report, listing many positive aspects of the risk management work

being carried out. Four out of the six areas were scored at four out of five, with the remaining two areas scored at three out of five. The report outlined recommendations as to where risk management can be further strengthened, of which some have been implemented within 2021/22, with the remaining recommendations to be implemented in 2022/23.

- Risk management has added value to the key decisions being taken within the council over the course of the last financial year throughout the pandemic and has operated within the approved budget for 2021/22.

4. Areas of Good Practice

- 4.1 As outlined in 3.1 above, the independent 'health check' review of the Risk Management Function evaluated six different key areas of risk management. These were; Leadership & Management; Strategy & Policy; Processes & Tools; Risk Handling & Assurance; People & Training Partnerships; Shared Risks & Project.
- 4.2 Four of the six areas scored four out of five and clearly demonstrated that good practice was in place and being implemented. Below are some excerpts from the report, along with some supporting narrative for how the Risk management Function has demonstrated good practice during 2021/22. The following excerpts are taken from the risk management health check report of May 2021;
- 4.3 For Leadership and Management; "it is clear that risk management is taken seriously within the council and efforts are continually being made to further embed and improve. Members appear knowledgeable and able to question or offer challenge appropriately. Those from commercial and professional backgrounds clearly understand risk management and there appears to be a culture of wanting to get things done – with risk management underpinning this". During 2021/22, risk management has continued to be at the forefront of key decisions being taken within the Council during the pandemic, with continued active Member engagement on risk management from both the Cabinet and Audit Committee throughout the year. Reports have been well-received with updates provided from the former Director for People (now retired), and the Executive Director of Adult Social Services to Audit Committee to elaborate on their corporate risks.
- 4.4 For Strategy and Policy; "the risk management policy is linked to the Council Constitution; roles and responsibilities are clearly defined and the interviews have confirmed that people generally feel equipped to carry these out". 2021/22 has built on this and the strategy has been updated to include the implementation of recommendations from the health check report. Some recommendations have been implemented, with the remaining being implemented in 2022/23.

- 4.5 For Processes and Tools; “a comprehensive set of processes and procedures are in place to support the risk management function. The separate procedures and one-pagers are easy to read and avoid duplication”. The processes and procedures remained valid and referred to during 2021/22 in the training that was delivered by the Risk Management Officer.
- 4.6 For Risk Handling and Assurance; “there is a generally high level of assurance and a feeling that risk management is in ‘a safe pair of hands.’ As the risk function sits within Internal Audit, there are efforts to avoid any potential conflicts of interest and independent assurance is sought wherever possible”. Throughout 2021/22, quarterly reports have been provided to the cross-party based Audit Committee, with risk queries relating to further assurance required identified at these Committee meetings addressed in a timely manner.
- 4.7 For People and Training; “Members consulted as part of this review are in agreement that the risk management training they have received is the best of all training sessions on offer”. Throughout 2021/22, for new staff joining the organisation with risk management featuring as part of, or closely linked to their role, introductory training has been provided by the Risk Management Officer to communicate how risk management operates within the Council.
- 4.8 For Partnerships, Shared Risks & Projects; “it does appear that there is a sound lessons learnt process which is applied to future enterprises. Previously, the NCC Resilience Team have undertaken reviews of business continuity arrangements; this is good practice, particularly in major or strategically significant contracts and should be continued”. Throughout 2021/22, steps have been taken by the Risk Management Function to assist with further enhancing business continuity arrangements by challenging and testing more efficient business continuity documentation used within the Council.

5. Our Outputs – Risk Management Work

- 5.1 The Risk Management Function has delivered quarterly Risk Management reports for Committees in 2021/22, covering corporate risks, reported and presented to both Cabinet and the Audit Committee.
- 5.2 Risk management training was delivered to Members of the Audit Committee in July 2021 as part of wider Member training for this committee. Introductory risk management training was delivered on an ad-hoc basis throughout the year by the Risk Management Officer.
- 5.3 Recommendations from the ‘health check’ report have been partially implemented, with some completed. Where not completed, the groundwork has been laid via the 2022/23 Risk Management Strategy to implement the remaining recommendations this financial year.

6. Developments of the Risk Management Function in 2021/22

- 6.1 Over the course of 2021/22, the Risk Management Function has continued to play an important role in the Council's response and recovery from the COVID-19 pandemic. Much of the year was focussed on this response. Focus was directed to helping departments and services in their ever-increasing levels of risk management engagement to treat their risks appropriately, assisting with the gradual recovery from the earlier stages of the pandemic and helping the Council to identify the risk horizon for the recovery period. Alongside this, risk management reporting was maintained on a quarterly level to both Cabinet and Audit Committee.
- 6.2 In November 2021, the Risk Management Officer Thomas Osborne passed a further exam in November 2021 towards obtaining the International Diploma in Enterprise Risk Management and in February 2022, became the Chairman of the East Midlands and East Anglia Risk Management Group.

7. Developments of the Risk Management Function in 2022/23

- 7.1 With the movement towards recovery from the pandemic, there are a number of developments planned for this financial year 2022/23 as set out below.
- 7.2 The corporate risk register will be reviewed and refreshed in the Summer of 2022, to ensure that risks remain fully aligned to the Council's strategy [Better Together, for Norfolk 2021-2025](#). A refreshed corporate risk register will be brought back for reporting to October 2022 Cabinet.
- 7.3 Risk Management will be further integrated into the corporate business plan to help deliver the Council's strategy.
- 7.4 The remaining recommendations from the independent 'health check' report will be implemented, and the Risk Management Strategy sets out how and when this will happen.
- 7.5 Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) is coming to the forefront of organisational thinking, so these areas will be particularly prominent over the course of this financial year and beyond. Doing what is right for society is engrained in the work of local government, so we need to continue to ensure that our CSR and ESG activities reflect society's needs in a sustainable manner. Corporate risks of an ESG nature will be reported to be able 'to provide transparency about our commitments to identify, manage, and report on ESG risks' (ESG reporting and attestation: A roadmap for audit practitioners, CAQ, AICPA & CIMA - February 2021)

8. Further information

8.1 This Risk Management annual report will be referenced in the Council's Annual Governance Statement for 2020/21, which will be reported to this Committee alongside this report.

9 Acknowledgements

9.1 We would like to thank Members of the Audit Committee and Cabinet, Corporate Board, managers, and officers for their engagement and commitment to effective risk management throughout 2021/22.

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Audit Committee

Item No:11

**Report Title: Annual Anti-Fraud, Bribery and Corruption Report
2021-22**

Date of Meeting: 28 July 2022

Responsible Cabinet Member: N/A

Responsible Director: Helen Edwards, Director of Governance

Is this a Key Decision? No

Executive Summary

The Council's Anti-Fraud, Bribery and Corruption Policy continues to direct the proactive anti-fraud work undertaken by Council. This report, at **Appendix A**, provides an update in respect of the pro-active and reactive anti-fraud, bribery and corruption activity undertaken for the year ended 31st March 2022.

Furthermore, an update in respect of the Council's Whistleblowing provision can also be found in **Appendix A**.

Recommendations:

1. To consider and agree: -

- the key messages featured in the Annual Report at Appendix A, that the work and assurance are satisfactory, effective and meet their requirements; and advise if further information is required.**

1. Background and Purpose

- 1.1 One of the roles of the Audit Committee is to have oversight of the effectiveness of the anti-fraud and corruption and whistleblowing arrangements of the Council including the strategy, policies and any associated guidance.
- 1.2 Norfolk Audit Service (NAS) leads on the strategic delivery of Counter Fraud, Bribery and Anti-Corruption work across all NCC's services on behalf of the Director of Governance. The aim is to protect the public purse, NCC, its staff

and its service users from corrupt activities that would undermine NCC's aims and objectives of meeting public service requirements.

2. Proposal

- 2.1 The report at Appendix A provides an update in respect of the pro-active and reactive anti-fraud, bribery and corruption activity undertaken during the previous financial year (2021-22), including Whistleblowing.
- 2.2 Norfolk Audit Service (NAS) leads on the strategic delivery of Counter Fraud, Bribery and Anti-Corruption work across all the Council's services. The aim is to protect the public purse, the Council, its staff and its service users from corrupt activities that would undermine the Council's vision, aims and objectives of meeting public service requirements.
- 2.3 The NAS Anti-Fraud, Bribery and Corruption Strategy and activity plan sets out and provides information on NCC's response to the document 'Fighting Fraud and Corruption Locally (FFCL)', The local government counter fraud and corruption strategy.
- 2.4 To support NAS in implementing appropriate measures, a suite of anti-crime goals has been developed (that encompass the FFCL strategy) in the following areas:
- 2.5 Govern: Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout NCC.
- 2.6 Acknowledge: acknowledging and understanding fraud risks and committing support and resource to tackling fraud to maintain a robust anti-fraud response.
- 2.7 Prevent: preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
- 2.8 Pursue: punishing fraudsters and prioritising the recovery of losses via a triple track approach (Civil, Criminal or Disciplinary), developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.
- 2.9 The Audit Committee are recommended to consider and agree: -
 - the key messages in **Appendix A**.
 - that the work and assurance meet their requirements and advise if further information is required.

3. Impact of the Proposal

- 3.1 This report supports the remit of the Audit Committee in providing proactive leadership and direction on anti-fraud, bribery and corruption governance and issues. The purpose of this report is to update the Audit Committee on outcomes and activities undertaken during the period.
- 3.2 The Council can demonstrate commitment and progress to protecting the public purse, fighting fraud locally and to fulfil the Crime and Disorder Act 1998

4. Evidence and Reasons for Decision

- 4.1 The evidence is set out in the report at **Appendix A**.

5. Alternative Options

- 5.1 There are no alternative options.

6. Financial Implications

- 6.1 The service expenditure falls within the parameters of the annual budget agreed by the council.

7. Resource Implications

- 7.1 There are no staff, property, or IT implications.

8. Other Implications

- 8.1 There are no Legal, Human Rights or Equality Impact Assessment (EqIA), Data Protection Impact Assessments (DPIA), Health and Safety, Sustainability, or other implications.

9. Risk Implications / Assessment

- 9.1 N/A

10. Select Committee Comments

- 10.1 N/A

11. Recommendations

Please see the Executive Summary above.

12. Background Papers

NCC Anti-Fraud, Bribery and Corruption Policy
NCC Whistleblowing Policy
NCC Anti-Money Laundering Policy

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Anti-Fraud, Bribery and Corruption**Item 11 - APPENDIX A****NAS Anti-Fraud, Bribery
and Corruption Annual
Report for the financial year
2021-22****Date****28 July 2022**

1. Executive Summary

The 2021/22 financial year continued to be challenging for Local Authorities and the UK as a whole due to the impact of the COVID19.

Nationally and from within, new fraud and corruption challenges emerged over the year. Particularly, in the area of resources due to operational challenges with investigating allegations internally, and also with referrals to law enforcement, who face an unprecedented challenge. As we move out of the most significantly challenging phase of the pandemic, the strategic focus remains on investigation priorities to ensure the seeking sanctions, and to quantify and recover any potential losses to dishonest activity.

At the Council, the focus during the pandemic has been on continuity of services and ensuring public funds are distributed to those that need them most.

Norfolk Audit Services continues to;

- Foster anti-fraud culture
- Prevent fraudulent activity from occurring.
- Detect instances of fraudulent activity.
- Pursue those who seek to defraud through all means available
- Recover losses

The document: Fighting Fraud and Corruption Locally (FFCL) provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities.

Norfolk Audit Service (NAS) was involved in shaping the national strategy, particularly;

- The governance arrangements contained in the current NCC Anti-Fraud, Bribery and Corruption Strategy have been added as an additional pillar to the national strategy.
- The NCC Anti-Fraud, Bribery and Corruption policy and strategy have been published on the national Fighting Fraud and Corruption Locally best practice bank.

2. Introduction

The NCC Anti-Fraud, Bribery and Corruption Policy/Strategy was approved by the Audit Committee in April 2021.

NCC's anti-crime goals are set out below. There are four sections that follow the FFCL strategy.

Govern: Having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout NCC.

Acknowledge: acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

Prevent: preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.

Pursue: punishing fraudsters and prioritising the recovery of losses via a triple track approach (Civil, Criminal or Disciplinary), developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement response.

An assessment against the strategy can be found at Appendix 1. The assessment highlights some operational challenges due to the impact of COVID19, however the overall assessment is in good health.

Govern

- Updates and progress reports in respect of Anti-Fraud matters have been provided to the Head of Law, Chief Internal Auditor, Executive Director of Finance and Commercial Services and the Audit Committee throughout the reporting period. The updates and reports included:
 - ✓ The agreement and planning of activities
 - ✓ Progress against agreed activities
 - ✓ Investigation updates and outcomes
 - ✓ Emerging fraud risks
 - ✓ External reports regarding wider/national anti-fraud activity
- The Council's Whistleblowing Policy continues to be developed and managed with a view to promoting new referrals and protection for those who report concerns. Changes to whistleblowing law (The Public Interest Disclosure Act) are expected to be implemented during 2021 and work is ongoing to research new initiatives and practices ahead of the changes.
- Elected members, Directors, Heads of Service and all those charged with governance demonstrate top level strategic support for all anti-fraud, bribery and corruption related activity at NCC.

Acknowledge

- NCC has the following key policies that acknowledge the risk of fraud and these are promoted throughout the organisation;
 - ✓ The Anti-Fraud, Bribery and Corruption Policy
 - ✓ Code of Conduct and Behaviour Policy
 - ✓ Whistleblowing Policy
 - ✓ Anti-Money Laundering Policy
- The Anti-Fraud, Bribery and Corruption Policy specifies the reporting lines for fraud concerns and references the related policies.

- The policy has been published in the Internet and articles have been circulated in the NCC publication; Norfolk Manager, promoting the policies.
- eLearning programs have been developed to promote the policies and procedures and enhance reporting and staff knowledge.
- The NCC Anti-Fraud, Bribery and Corruption policy was updated in 2021 and continues to direct the counter fraud strategy within.
- Executive Directors support the work anti-fraud work in the Council and show top down support.

Prevent

- A Fraud Risk Assessment (FRA) was carried out in the area of emergency payments within the Norfolk Assistance Scheme. During the pandemic, national direction was provided to streamline the dispersal of funds to the public and reduce red tape. It was envisaged and accepted that as a consequence; the risk of fraud in the payments scheme would be high. The fraud risk assessment focussed on providing recommendations to mitigate the risk of fraud that can be implemented and checked quickly. The risk assessment is still in use and has been followed up in the new financial year 2022/23. The risk assessment has assisted with identifying potentially fraudulent applications before they have been paid. Furthermore, the recommendations of the FRA are being implemented to scan systems to check for any fraud that has entered the system and seek redress. Offences have been detected in the system which are not considered to be of high value. All detected offences have been reported to the Police.
- By keeping up to date with relevant publications and being members of bodies such as CIPFA, IIA and LGA, those responsible for the counter fraud arrangements at NCC are periodically updated with new and emerging fraud, bribery and corruption risks. This assists with understanding risks and enhancing fraud prevention techniques.
- NCC has a system of risk-based auditing where the risk of fraud, bribery and corruption is considered as part of the audit process where relevant. Recommended actions are employed as part of the audit process to including fraud prevention measures.
- Testing is undertaken by IMT on a regular basis to test NCC systems for external vulnerabilities and; internal risks included phishing email tests to evaluate staff awareness of fraudulent cyber related crime.
- There is a system of monitoring, follow up and review in place relating to new and emerging fraud, bribery and corruption risks. Where fraud has been identified, the investigative auditor works with departments to identify root cause and prevent re-occurrence. Where emerging risks are identified, warnings are

issued to relevant departments so that prevention measures can be implemented.

Pursue

- A number of cases investigated during the 2021-22 financial year and reported to law enforcement continue to be investigated by them. It is not currently viable to disclose the case details so as not to prejudice ongoing investigations.
- For the National Fraud Initiative; unfortunately, due to new restrictions on the NFI matching patient data, as set out in the Local Audit and Accountability Act 2014, care homes and social care report matches are no longer available. This is due to an update to the 2006 NHS Act legislation which means personal budgets, residential care homes and social care data now fall into the definition of patient data. The Cabinet Office have consulted with the Department of Health and Social Care (DHSC) and Cabinet Office lawyers in detail on this and we will be formulating actions to change legislation to enable us to match this data in the future. This has resulted in limited outcomes to investigate within the NFI application.
- Fraud Hub initiatives have continued to provide successful outcomes;
- In addition to the fraud hub, work continues to operate additional 'Premium' Council Tax Single Person Discount matching and associated recovery service with Anglia Revenue Partnership. Any inappropriate Single Person discounts mean that potential Council Tax revenue is lost to the collecting authority and those who precept on them (Norfolk Police and the County Council).
- There have been a moderate number of referrals during the financial year and these have been noted in the below table. The "**Fraud Detected**" column below represents cases that resulted in either a sanction/redress or other corrective action to recover losses:

Cases ongoing from 2020/2021	Total fraud or corrupt practice referrals received 2021/2022	Cases reported to Police - Fraud	Cases reported to Police – Theft	Cases progressed to internal investigation that resulted in sanctions and/or resignation.	Cases referred to legal for civil action	Cases that were NFA
2 (with police)	13	3	3	4	1	1

From the referrals received:

- Two cases carried over from previous years are still under investigation by Norfolk Police. It has been confirmed that in both cases suspects have been interviewed and released under investigation. It is understood that police resources during the COVID19 Pandemic have had an impact on progress.

- 13 new referrals were received during the financial year, a summary of the referrals is as follows:
 - a). One case involving an external service user presenting documents that may have been misrepresented – The case was passed to legal for civil action. Value: Undetermined at time of report.
 - b). Three cases alleging unauthorised access to NCC systems were passed for internal investigation by the Investigative Auditor – One case resulted in a minor sanction (significant mitigation was found). One Case resulted in resignation. One Case was found where resignation occurred before the investigation commenced.
 - c). One investigation regarding false documents and financial claims made to the Council was reported to the Police. The investigation continues.
 - d). Three minor cash thefts were investigated. All were reported to police. There was insufficient evidence to make an arrest. Disciplinary action has been instigated.
 - e). One case of working for another employer whilst employed by NCC and working from home (COVID19) was investigated. The case was found to be minor, and it could not be substantiated whether the secondary employment was conducted at the same time as the substantive role. The outcome resulted in a minor sanction for failure to report secondary employment.
 - f). The Investigative Auditor was commissioned to investigate a whistleblowing concern from an external source. The investigation resulted in disciplinary action being recommended for inappropriate use of systems and outside interests.
 - g). One case involving false claims to the Norfolk Assistance Scheme where a member of the public posed as services users in order to apply for emergency assistance grants was reported to the Police. This is matter is still under investigation.
 - h). One case of financial irregularity in Schools was investigated internally and passed to an external provider for further investigation.
 - i). One case involving false claims to the Norfolk Assistance Scheme by an employee member was found to have no substance and the claim was genuine. No further action was taken.

The Council continues to pursue all allegations of fraudulent and/or corrupt activity external to the Council, and from within. The Council seeks sanctions and redress in all cases through civil, criminal and/or disciplinary channels as necessary.

Whistleblowing

The Chief Legal Officer and Chief Internal Auditor champion the Whistleblowing Policy. It is their role to ensure the implementation, integrity, independence and effectiveness of the policy and procedures on whistleblowing. It is important to create a culture of confidence for employees to report those concerns, track the outcome of whistleblowing reports, provide feedback to whistle-blowers and take reasonable steps to protect whistle-blower's from victimisation. Not all reported concerns will fall within whistleblowing law, but they are all taken seriously.

Norfolk Audit Service is responsible for receiving and progressing all disclosures made to the Council under the NCC Whistleblowing Policy.

A summary of the Whistleblowing activity received can be found below:

- A review of the Whistleblowing functions was completed to assist with upcoming changes to the Public Interest Disclosure Act. No changes to the Act have occurred at the point of reporting.
- A 'Whistleblowing Awareness' work continues to be key in promoting a culture of reporting concerns and signposting the protection in place for workers who make protected disclosures. The COVID19 Pandemic has had an impact on reporting concerns as staff are predominately working from home. Hybrid working will need to be considered in future whistleblowing strategy.
- The Whistleblowing Policy was updated in 2021.

A total of 10 whistleblowing disclosures were received during the 2021-2 financial year. All referrals are being progressed to a satisfactory outcome. Whistleblowing themes include areas such as; Social care, Bullying and harassment, health and safety and fraudulent activity

Previous lessons learned include; contract management processes, procurement, health and safety procedures. Where deemed necessary, internal audits have been planned because of whistleblowing referrals received.

The types of referrals received vary greatly however, the top recurring themes continue to be as follows;

- (a) Personal Grievances
- (b) Fraud & Corruption and use of public funds

Personal grievances are not usually regarded as whistleblowing and signposted to the relevant teams to progress under the Grievance policy.

The role of Norfolk Audit Service in dealing with Whistleblowing complaints is to assess the disclosures and ensure these matters are addressed by either investigating the matter where it relates to fraud and corruption or; forwarding to the correct department for review and investigation by that department if appropriate.

We also liaise with Whistleblowers as an independent point of contact to ensure segregation of duties and that matters have been resolved to their satisfaction.

Where a whistleblowing referral is received, we will inform the appropriate Executive Director (where appropriate) of the referral to ensure the matters are addressed effectively.

Contact

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APPENDIX 1 – Assessment Against the Provisions of the Document: Fighting Fraud Locally, a strategy for the 2020's.

Standard	Y	N		NA	Comments
There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated.	Y				The NCC Anti-Fraud, Bribery and Corruption Policy was updated in 2021 and is publicised on the internet and iNet
The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	Y				Expectations are set out in a number of documents including: <ul style="list-style-type: none"> • Conduct and Behaviour Policy • Disciplinary Policy and Procedure • Anti-Fraud, Bribery and Corruption Policy • Whistleblowing Policy • Anti-Money Laundering Policy • Various IT usage policies
The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.					This is currently under review. it is envisaged the risk management processes will be updated in the 2022/23 financial year to ensure the process is robust.
Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to committee.	Y				The investigative Auditor, along with Audit colleagues routinely review new and existing policies.
Successful cases of proven fraud/corruption are routinely publicised to raise awareness	Y				Case outcomes or summaries are included in Audit Committee reports upon completion of a successful prosecution. Specific details cannot always be published timely due to the ongoing nature of some cases, including wider and/or parallel investigations

				There is currently a delay in the delivery of cases investigated by law enforcement due to resources and complexity.
The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.	Y			<p>The Anti-Fraud Bribery and Corruption Policy sets out NCC's stance on the prevention and detection of fraud.</p> <p>Executive Directors are responsible for fraud prevention and detection arrangements in their areas of responsibility as per the NCC Constitution.</p>
The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: ✓ Annual reports to Standards Committee or Audit Committee – codes of conduct including behaviour for counter fraud, anti-bribery and corruption – register of interests – register of gifts and hospitality.	Y			NCC routinely analyses compliance with policies and procedures through its Strategy and Governance, HR and Audit processes.
The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2020 to prevent potentially dishonest employees from being appointed.	Y			<p>The NCC HR Recruitment and Resourcing team provide end-to-end recruitment services for departments, schools and academies.</p> <p>The vetting of staff is carried out on a risk assessed basis, based on criteria for posts which are created before any post is advertised.</p> <p>It is the NCC policy that no person is recruited to post without the provision of identity documents, references and other risk</p>

				based requirements.
Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business Interests. This is checked by auditors and reported to committee.	Y			<p>This requirement is published in NCC's policies and procedures including:</p> <p>Anti-Fraud, Bribery and Corruption Policy Conduct and Behaviour Policy</p> <p>An audit in this areas was carried out in 2019.</p>
There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.	Y			The volume of reactive assignments is currently having an impact on pro-active work programmes.
There is an independent and up-to-date whistleblowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure	Y			<p>The NCC Whistleblowing Policy was updated in 2021 and is published in the Internet and iNet.</p> <p>Concerns raised under the policy are assessed and acted upon on a risk assessed basis.</p>
Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.	Y			The Whistleblowing Policy is published on the internet and contractors are either advised of the policy or assurance is sought that they have their own arrangements in place where disclosures can be made.
Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.				Reactive investigation work is prioritised over proactive assignments due to available resources.
There is an annual fraud plan which is agreed by committee and reflects				Due to a large volume of reactive investigation work within Anti-Fraud, Disciplinary and whistleblowing reports, the

resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.					annual fraud plan is in need of update.
Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	Y				Statistics are reported annually to the Audit Committee
Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	Y				Via the Executive Director of Finance and Commercial Services. Chief Internal Auditor and Monitoring Officer.
There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communication team.		N			A formal programme of publication is not in place.
All allegations of fraud and corruption are risk assessed.	Y				The Chief Internal Auditor and Investigative Auditor review all reported concerns. The Disciplinary Action Review Group (DARG) meets upon referrals that may involve employees of NCC and/or Schools to risk assess and provide direction.
The fraud and corruption response plan covers all areas of counter fraud work.	Y				Plan approved 2021, actions monitored regularly – governance, prevention – detection – investigation – sanctions – redress
Asset recovery and civil recovery is considered in all cases.	Y				As per the Anti-Fraud, Bribery and Corruption policy.
There is a zero tolerance approach to fraud and corruption that is defined and monitored and which is always reported	Y				The Anti-Fraud, Bribery and Corruption Policy sets out the NCC approach to tackling fraud and corruption.

to committee.				<p>Dishonesty which causes a loss to NCC and/or where an individual makes a gain is considered automatic gross misconduct within the Conduct and Behaviour Policy. Where internal fraud is identified, it is reported to the appropriate authorities in accordance with the Anti-Fraud Bribery and Corruption Policy</p> <p>External Fraud from contractors, suppliers or members of the public is investigated internally and where the likelihood of fraud exists, is reported to the appropriate authorities.</p>
There is a programme of proactive counter fraud work which covers risks identified in assessment.				The programme is currently on hold due to the volume and complexity of reactive assignments. This is a resource led approach.
The counter fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity	Y			The Investigative Auditor liaises with other authorities, the police, the national crime agency and other enforcement agencies on the basis of need.
Prevention measures and projects are undertaken using data analytics where possible.	Y			<p>NCC employs data analytics for range of tasks.</p> <p>Norfolk Audit Service continue to explore the use of data analytics in audit and counter fraud work.</p>
The counter fraud team has registered with the Knowledge Hub so it has access to directories and other tools	Y			The investigative Auditor review the hub regularly for new and emerging fraud risks
The counter fraud team has access to the FFCL regional network.	Y			The investigative Auditor regularly engages with the FFCL regional network and has been recognised within the FFCL strategy for his contribution to the design of the document.
There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.	Y			<p>The investigative Auditor is accredited counter fraud specialist undertaken with the University of Portsmouth.</p> <p>The Chief Internal Auditor holds the Cipfa certificate in investigative practices.</p>

The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas	Y				Proportionate to the role and length of service.
The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for: ✓ – surveillance – computer forensics – asset recovery – financial investigations.	Y				The investigative Auditor has collaborated and engaged contacts across NCC and law enforcement and partnering LA's to enable the provision of these services.
Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems	Y				Root Cause Analysis is undertaken and fed back to department leads and managers. Where required advice is provided on mitigation.

Audit Committee

Item No:12

Report Title: Work Programme

Date of Meeting: 28th July 2022

Responsible Cabinet Member: N/A

Responsible Director: Simon George, Executive Director of Finance and Commercial Services

Is this a Key Decision? No

Executive Summary

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.

Recommendations

The Audit Committee are asked to consider and agree:

- the work programme for the Committee
- if further information is required

1. Background and Purpose

- 1.1 In accordance with its Terms of Reference, which is part of the Constitution, the Committee should consider the programme of work set out below.

2. Proposal

- 2.1 The proposed work is set out below:

- October 2022 reports
 - Executive Director, Finance and Commercial Services
 - Audit Committee Annual Report 2021-22
 - NAS Quarterly Report Quarter ended June 2022
 - Risk Management Report
 - Annual Report to the Audit Committee 2021-22
 - External Auditor Report and Letters of Representation
 - Annual Statement of Accounts and Annual Governance Statement 2021-22
 - Norfolk Audit Services - Terms of Reference
 - Audit Committee Work Programme
 - Director of Governance
 - Anti-Fraud and Corruption Strategy and Whistleblowing Update
 - Annual Monitoring Officer report 2021-22
- February 2023 reports
 - Executive Director, Finance and Commercial Services
 - NAS Quarterly Report Quarter ended December 2022
 - Risk Management Report
 - Internal Audit Strategy and Plan 2023-24
 - Audit Committee Work Programme
 - Director of Governance
 - Anti-Fraud and Corruption Strategy and Whistleblowing Update
- Medium Terms topics to note
 - Executive Director of Strategy and Transformation - Follow Up to the Census 2021 presentation (July 2021)
 - Executive Director, CES - Environmental Policy Update

2.2 The Committee may wish to propose further reports on additional topics relevant to the Committee's terms of reference.

3. Impact of the Proposal

3.1 As a result of the delivery of the work plan the Committee will have assurance through audit conclusions and findings that internal controls, governance and risk management arrangements are working effectively or there are plans in place to strengthen controls.

4. Evidence and Reasons for Decision

4.1 Not applicable.

5. Alternative Options

5.1 There are no alternative options.

6. Financial Implications

6.1 The service expenditure falls within the parameters of the annual budget agreed by the council.

7. Resource Implications

7.1 There are no Staff/Property or IT implications

8. Other Implications

8.1 There are no Legal /Human Rights/ Equality Impact Assessment (EqIA) /Data Protection Impact Assessments (DPIA)/Health and Safety/Sustainability or other implications.

9. Risk Implications / Assessment

9.1 There are no risk implications. Risk Management reports feature in the programme.

10. Select Committee Comments

10.1 None.

11. Recommendations

1. Please see the Executive Summary above.

12. Background Papers

12.1 None.

Officer Contact

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

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