

Audit Committee

Date: **Thursday 22 April 2021**

Time: **2pm**

Virtual meeting via Teams

Pursuant to The Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020, this meeting of Norfolk County Council Audit Committee will be held using video conferencing.

[Please follow this link to view the meeting online.](#)

Members of the Committee and other attendees will be sent a separate link to join the meeting.

Membership:

Cllr Ian Mackie – Chairman
Cllr Judy Oliver – Vice-Chairman

Cllr Colin Foulger
Cllr Chris Jones
Cllr Haydn Thirtle
Cllr Karen Vincent
Cllr Brian Watkins

A g e n d a

1 To receive apologies and details of any substitute members attending

2 Minutes

To confirm the minutes of the meeting held on 21 January 2021.

Page **4**

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 Chair decides should be considered as a matter of urgency

5 Presentation on the work carried out by IMT on cyber security, anti-phishing, disaster recovery, etc.

Presentation by the Director of IMT and Chief Digital Officer.

6 Norfolk County Council's Insurance Cover

Report by the Executive Director of Finance & Commercial Services

Page **23**

7 Norfolk Audit Services Report for the Quarter ended 31 March 2021

Page **35**

- Report by the Executive Director of Finance & Commercial Services
- 8 External Audits** **Page 53**
Report by the Executive Director of Finance & Commercial Services
- 9 Audit Committee Terms of Reference.** **Page 160**
Report by the Executive Director of Finance & Commercial Services
- 10 Risk Management.** **Page 165**
Report by the Executive Director of Finance & Commercial Services
- 11 Governance, Control and Risk Management of Treasury Management.** **Page 208**
Report by the Executive Director of Finance & Commercial Services
- 12 Anti-Fraud and Corruption Strategy and Whistleblowing Update and Anti-Fraud and Corruption Annual Report 2020-21.** **Page 215**
Report by the Director of Governance
- 13 Work Programme** **Page 252**
Report by the Executive Director of Finance & Commercial Services

Tom McCabe
Head of Paid Service
Norfolk County Council
County Hall
Martineau Lane
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NR1 2DH

Date Agenda Published: 14 April 2021



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Audit Committee
Minutes of the Virtual Teams Meeting held on
Thursday 21 January 2021 at 2pm

Present:

Cllr Ian Mackie – Chairman
Cllr Colin Foulger
Cllr Chris Jones
Cllr Judy Oliver – Vice-Chair
Cllr Haydn Thirtle
Cllr Karen Vincent
Cllr Brian Watkins

The Chairman welcomed Cllr Brian Watkins to his first meeting of the Audit Committee. Cllr Watkins had filled the Liberal Democrat vacancy.

The Chairman also welcomed Joshua Warnes, Trainee Auditor to the meeting.

1 Apologies for Absence

1.1 There were no apologies for absence.

2 Minutes

2.1 The minutes from the Audit Committee meeting held on 15 October 2020 were agreed as an accurate record.

3 Declaration of Interests

3.1 There were no Declarations of Interest.

4 Items of business which the chairman decides should be considered as a matter of urgency.

4.1 The Committee received a presentation (Appendix A) by the Director for People on the support Norfolk County Council provided to staff during the covid-19 pandemic. The presentation included a summary of workforce priorities; feedback from staff about working for Norfolk County Council – before and after lockdown; a summary of the well-being offer; a summary of the learning offer and communications provided to staff to keep them connected whilst working from home.

4.2 The Committee also received information on the latest data relating to staff absence (Appendix B) and noted that staff availability was currently at approximately 93.5% compared to between 90 and 95% previously. Staff being unavailable due to Covid was approximately 2-2.5%, with the percentage of staff unavailable for reasons other than covid currently at 4.2%. Members noted the position reflected the efforts put in by the Director of People and her team.

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

4.3.1 Members appreciated the increased flexibility and support shown by staff throughout the pandemic to keep services operating effectively and asked what lessons had been learned and identified that could be taken forward in the future.

The Director of People advised that a more formal analysis of the lessons learned would be undertaken in the future, but the ability of the organisation to enable people to work from home by supplying laptops and software; scale up the response across the organisation to adapt and change to be more agile; and the compassionate and supportive leadership had brought out the best in staff and this needed to continue to be built on in the future.

4.3.2 As Chair of the Corporate Select Committee, Cllr Vincent advised that the Committee had regularly reviewed the HR element of the Norfolk County Council response to the pandemic at its meetings and also praised the support the Director of People had given to colleagues. Cllr Vincent added that the Corporate Select Committee would receive a further update in July 2021.

4.3.3 The Chairman thanked the Director of People for providing the information and also expressed his thanks, on behalf of the Committee, to all staff and Managers who had worked so hard in quickly changing circumstances to ensure services provided by Norfolk County Council were delivered.

5 Norfolk Audit Services Report for the Quarter ending 31 December 2020.

5.1 The Committee received the report by the Executive Director of Finance & Commercial Services which supported 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 with the delivery of the internal audit work and advised on the overall opinion on the effectiveness of risk management and internal control. The report also set out work to support the opinion and any matters of note.

5.2 The Committee received a copy of Appendix D to the report, which had been omitted from the agenda in error. A copy is attached at Appendix C to these minutes.

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

5.3.1 The authorisation process for anyone requiring access to data centres had been tightened up to ensure only people with a proven need to access data centres was able to do so. If temporary access was needed, eg for maintenance purposes, processes had been strengthened to ensure temporary access permission was removed quickly once access was no longer needed.

5.3.2 The Committee was reassured that all the scheduled audits for the current year would be completed.

5.3.3 All high priority findings and any audits flagged red would be followed up by a second audit. If audits were flagged as amber, the Internal Audit Team would not routinely follow them up as it was the responsibility of the relevant

department Executive Director and the senior management team to ensure audit actions were completed.

5.3.4 The Committee asked that Geoff Connell, Head of IMT, attend the Audit Committee meeting in April 2021 to provide an update on the work IMT had completed on cyber security and disaster recovery; phishing exercise, etc.

5.3.5 The Committee considered the tabled Appendix D to the report and noted that the arrangements for governance under covid were acceptable, sound and working. The information would be included in the Annual Governance Statement later in the year.

5.4 The Committee considered the report and **RESOLVED** to **agree**:

- the key messages featured in this quarterly report, that the work and assurance meet their requirements and advise if further information is required
- The governance arrangements for the Covid-19 response and the Recovery (as described in Appendix D) continue to be sound and effective and will be reported in the draft Annual Governance Statement 2020-21 when it is published.

6 Risk Management

6.1 The Committee received the report by the Executive Director of Finance and Commercial Services referencing the corporate risk register as it stood in January 2021 following the latest review conducted during December 2020.

6.2 A summary of significant changes to corporate risks since they were last issued to this Committee was included in Appendix A of the report for information purposes. The latest corporate risk heat map for the generic corporate risk register was included at Appendix B providing a visual summary of corporate risks. Full details of the current generic corporate risks were included in Appendix C, including further explanations on risk scoring.

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

6.3.1 Regarding Risk 031 (NCC Funded Children's Services Overspend) and whether the risk took account of the Dedicated Schools Grant, the Executive Director of Finance & Commercial Services confirmed that the Dedicated Schools Grant was treated separately to the Norfolk County Council core funding.

6.3.2 Regarding Risk 28 (Risk of any failure to monitor and manage health and safety standards of third party providers of services) and how the risk could be managed during the current situation, it was confirmed close liaison took place to ensure working staff were safe, with the Health and Safety Manager, Derryth Wright, continually working closely with partners to ensure standards were met for those staff who had worked onsite throughout the pandemic.

6.3.3 Regarding Risk RM027 (Risk of failure of new Human Resources and Finance system implementation), Cllr Vincent welcomed the work the Internal Audit Team were doing in working closely with the Programme Director to monitor the risk and thanked the team for their work.

- 6.4 The Committee considered the report and **RESOLVED** to **agree**:
- a. The key messages as per section 2.1 of this report
 - b. The key changes to the generic 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)

7 Counter Fraud, Bribery and Corruption Annual Report 2020-21 (including whistleblowing).

7.1 The Committee received the report by the Director of Governance providing an annual report in respect of the counter fraud activity undertaken by Norfolk Audit Services during the financial year 2020-21.

7.2 In response to a question, in order not to prejudice any ongoing investigations, it was noted that no specific information could be given about the cases currently being investigated by Norfolk Police. The Committee was reassured that the Investigative Auditor was working closely with the Police on these cases.

7.3 The Committee considered the report and **RESOLVED** to:

- **agree** that the content of the Anti-Fraud, Bribery and Corruption and Whistleblowing annual report 2020-21 (Appendix A), the key messages, that the progress is satisfactory, and arrangements are effective.

8 Internal Audit Strategy, Our Approach and the Audit Plan 2021-22.

8.1 The Committee received the report by the Executive Director of Finance & Commercial Services setting out the background, Internal Audit Strategy, Our Approach to developing the Audit Plan 2020-21, the Audit Plan for 2020-21 and the Performance of the Strategy.

8.2 The Committee considered the report and **RESOLVED** to **approve**:

- The Internal Audit Strategy, the approach to developing the Audit Plan for 2021/22 and the Audit Plan for 2020/21, supported by the 'Days Available to Deliver NAS Services 2020/21 (Appendix C) and the 'Detailed Audit Plan for the First Half of the Year for 2020/21' (Appendix D), and that this work will deliver sufficient scope for the assurances required
- That the arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards (2017) and the Local Authority Guidance Note of 2013, including safeguards in place to limit impairments to independence and objectivity for the roles of the Chief Internal Auditor (described at paragraph 5.7 of this report), and any other relevant statements of best practice
- That the approach to minimise the audit burden during the pandemic response (described at 5.24 in this report) is risk based, necessary, proportionate and that normal coverage will resume on a risk assessed

basis at the earliest opportunity. The reasons for deferring audits will be reported to this Committee

9 Work Programme

- 9.1 The Committee received the report by the Executive Director of Finance and Commercial Services setting out the work programme.
- 9.2 The Committee agreed to ask Geoff Connell, Head of IMT to attend the next meeting to provide an update on the work IMT was carrying out on cyber-security; disaster recovery, etc.
- 10.3 The Committee considered and **noted** the report.

The meeting ended at 3.30pm

Chairman



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Support for our people at NCC

Presentation for Audit Committee

21 January 2021

Sarah Shirtcliff
Director for People



Agenda items

1. Summary of our workforce priorities during pandemic
2. What our colleagues say about working for the Council – before and after lockdown
3. Summary of our well-being offer
4. Learning Offer
5. Communication examples to connect with workforce

Our Workforce priorities

Priorities

Helping and supporting managers to lead in exceptional circumstances, including remote working

New communication approaches to managers and colleagues – all about promoting compassion, support and clarity

Providing professional advice and support across health and safety and infection control requirements for NCC workforce and workplaces, PPE, testing and vaccination programmes

Providing learning and development offer for managers – delivered remotely

Providing digital skills training for working remotely – delivered remotely

Providing well-being support offer, with additional services including Manager Outreach, critical incident support, adult education online offer

Clear adaptable policies and practice which supported flexible working, and deployment to priorities

Tools and equipment to work at home (kit, £250 allowance)

People metrics to check availability, health and well-being

Our Staff Survey ran for 3 weeks over the local down period.

Key Drivers	2020			2019
	Before March 18	After March 18	Overall	Overall
1. There is a clear link between my Performance Development Discussion and my team's goals	65	69	67	68
2. My manager recognises that speaking openly about work related issues provides an opportunity to improve things	74	78	75	77
3. NCC's Directors and Heads of Service inspire me to use my own initiative	49	58	52	50
4. NCC's Leader and Executive Directors have a clear vision for the future of the organisation	56	64	59	56
5. I often experience excessive pressure in my role* <i>*lower is better</i>	66	63	65	69

Key



Good score / outcome to be celebrated.
(75+)



Moderate score / outcome.
Capable of improvement.
(51 - 74)



Relatively poor score / outcome.
A clear signal to take steps to improve.
(50 or less)

How colleagues describe NCC and changes over 2 years

Conversational (eg Respectful, Good listener)	Innovative (e.g. Inspiring, exciting)	Capable (e.g. Competent, Resilient)	Trustworthy (e.g. Honest, Reliable)	Supportive (e.g. Compassionate, Appreciative)	Directive (e.g. Authoritarian Controlling)	Developmental (e.g Coaches, Learning)
2020						
60	56	64	64	63	56	56
2019						
57	53	60	62	60	60	55

Engagement study in October identified key messages about what's most important to colleagues

- Human Connections
- Service productivity and performance
- Organisational Identify – “Supportive”
- Flexibility
- Equipment and Tools to do the job



Our well-being offer:



- ✓ 3000 employees supported to buy kit
 - ✓ 333 Mental Health First Aid champions
 - ✓ 209 wellbeing facilitators
 - ✓ Trade union engagement and positive relationships
 - ✓ 3.3% absence – below target
 - ✓ 87.5% under 2 years retention – more stayed
-
- ✓ **Key Services:**
 - ✓ Norfolk Support Line
 - ✓ Self-referral for counselling
 - ✓ Critical incident service for trauma support
 - ✓ Musculoskeletal rehab service
 - ✓ Individual risk assessments/including BAME and high risk health

Our development offer:

Leadership and Management Development Opportunities - Norfolk Development Academy 2020–2021

Welcome to the overview of all learning and development opportunities related to Leadership and Management at NCC. We have separated the offer into 4 key areas; Aspiring Managers, New Manager Experience, Leading Teams and People, Leading Services and Organisations. Below you will find a handy guide to each of our development options – to help you navigate at a glance we have used some symbols so you can quickly identify your preferred learning approach. Running throughout our core offer is access to the following: Coaching, Mentoring and access to a virtual Leadership and Management Community via MS Teams.

WHAT'S AVAILABLE AT A GLANCE...			
ASPIRING MANAGERS	'NEW MANAGER EXPERIENCE'	LEADING TEAMS AND PEOPLE	LEADING SERVICES AND ORGANISATIONS
<ul style="list-style-type: none"> • NCC Aspiring Manager Programme • Coaching • Mentoring 	<ul style="list-style-type: none"> • New Manager Induction • Coaching for Performance • Online Manager Kit • The Fundamentals of Finance • Situational Leadership • Coaching • Mentoring • New Manager MS Teams Community 	<ul style="list-style-type: none"> • Coaching for Performance • Effective Conversations: Coaching Skills for Managers • Valuing Diversity for Managers • Interview Skills for Interviewers • Managing Conflict • Managing Virtual Teams • Creating and Managing Budgets • Situational Leadership • Communicating Change • Managing Sickness & Long-Term Sickness Absence • Optimising Team Performance • Coaching • Mentoring • MS Teams Leadership and Management Community 	<ul style="list-style-type: none"> • Leading Change • Creative Thinking • Building Blocks of Business Success • Quarterly Development Forum • Coaching • Mentoring • MS Teams Leadership and Management Community

SYMBOL CODE



Blended Learning



Online Learning



Workbook



e-learning

Communicating with colleagues with myNorfolk Winter

- ❖ Communication weekly Newsletter style for all employees (weekly in December then review frequency)
 - ❖ Highlight and market the range of offers/support
 - ❖ Create upbeat, positive messaging
 - ❖ Provide easy signposting
 - ❖ Create a sense of “we have your back”
 - ❖ Emailed and on mynet
- ❖ Other comms vehicles:
Manager’s Brief will continue – keeping it short and clear on key topics managers need



Money



Working
remotely



Wellbeing
over Winter



Connecting with
Colleagues



Skills and
Learning



Management
support

Workforce Availability

HRWorkforceinsight@norfolk.gov.uk

COVID data updated daily. Sickness and assignment data updated each Monday. Data are refreshed at midday.

Last Refreshed

20/01/2021 12:04

Current Workforce Capacity

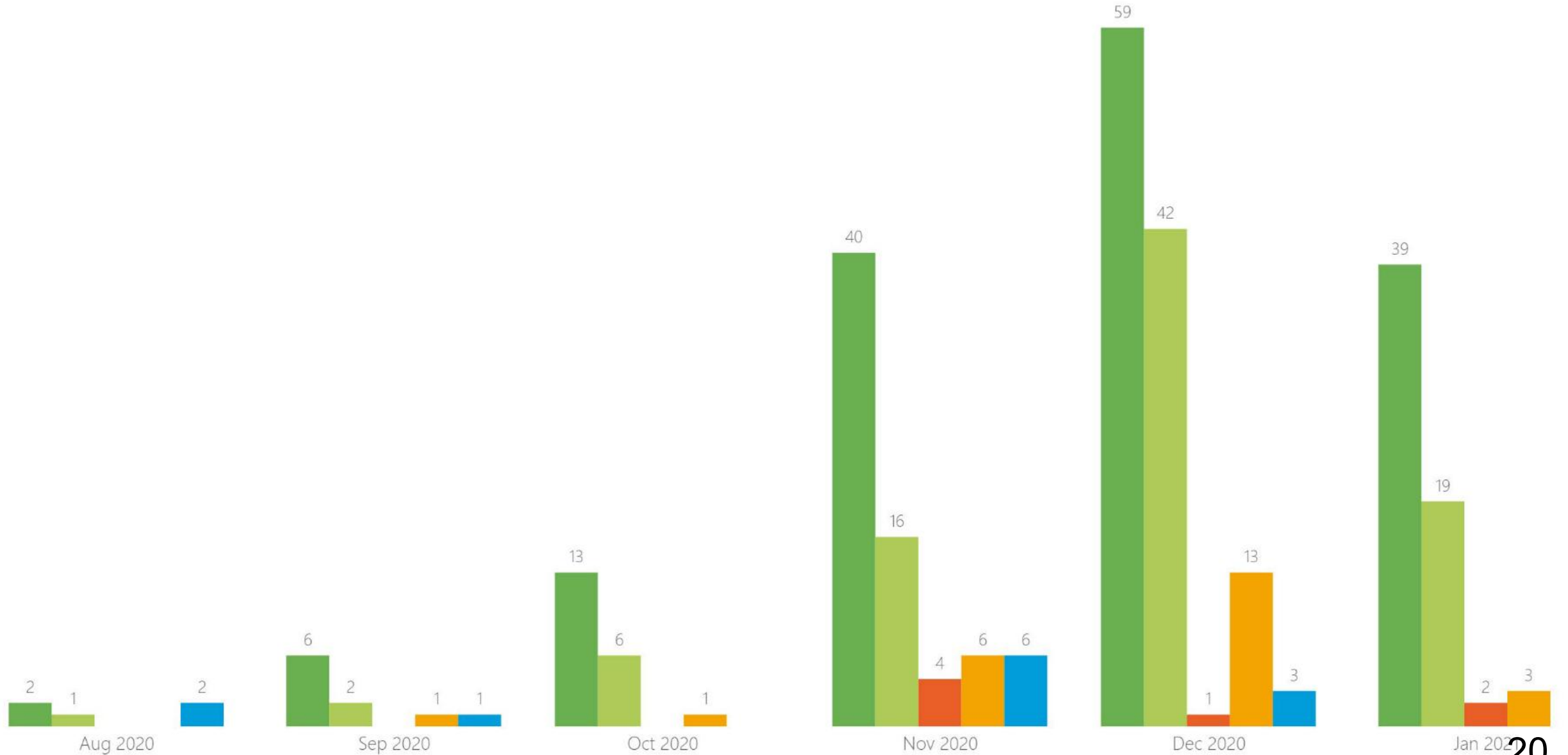
Note: Capacity rates do not include contingent or agency workers who are unable to update their status through My HR.

	Total Staff	Staff Available	Staff Unavailable - COVID-related	Staff Unavailable - Not COVID-related
Adult Social Services	1932	1709	100	123
		88.5%	5.2%	6.4%
Children's Services	2348	2217	30	101
		94.4%	1.3%	4.3%
Community & Environmental Services	2582	2447	51	84
		94.8%	2.0%	3.3%
Finance & Commercial Services	689	671	5	13
		97.4%	0.7%	1.9%
Strategy & Governance Legal & Democratic	525	503	4	18
		95.8%	0.8%	3.4%

NCC Staff COVID Cases - Health, Safety and Wellbeing Activity

Last Refreshed
20/01/2021 12:04

● Suspected Cases ● Positive Cases ● Cases to be Determined ● Case Visited a Work Location While Symptomatic ● Work Process Improvements Identified



Covid-19 Recovery Governance Update

The Audit Committee agreed that this report be included in this Quarterly Report. This Committee considers matters of governance, internal audit and risk management among other responsibilities.

The Council's [Annual Governance Statement \(AGS\) for 2019-20](#) was finalised and signed on 30 November 2020. The statement considered arrangements up to the date of approval, so it described how governance was fulfilled during most of the 2020 pandemic response, leading through into the recovery phase. The statement concluded that the arrangements were sound and effective.

The Cabinet received a report on the [NCC response to Covid-19 – initial lessons learned – progress update](#) (page 81), on 2 November 2020, and an update (Appendix D to the minutes of that meeting), which reported progress against the [initial lesson learned action plan](#) agreed by the Cabinet in August 2020.

The Annual Governance Statement for 2020-21 will be published in draft on the Council's website in May 2021, alongside the draft statement of accounts, and will then be presented to the Audit Committee after the external audit has concluded. The AGS 20-21 will be updated for the ongoing Covid-19 governance arrangements up to that point, including any changes that may have been required. The usual certification from Executive Directors regarding their departments will be completed.

The governance, internal audit and risk management arrangements at the end of 2020 have not changed significantly to those set out in the 2019-20 AGS. Since the last Audit Committee (on 15 October 2020) the Council has continued to fulfil the relevant requirements of the [Coronavirus Act 2020](#) and associated [local government regulations and enforcement](#), continued to hold remote meetings and staff work remotely where they are able to do so. The Council has also continued to fulfil the Civil Contingency requirements and supported the [Norfolk Resilience Forum - Norfolk Prepared](#). Gold and Silver Group Meetings have continued to co ordinate the response to the Covid-19 pandemic. In addition, an internal Recovery Group has met regularly to co-ordinate arrangements going forward including monitoring risks.

The Council was judged to have proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020 ([page A21](#) in the draft external Audit Report to the October Audit Committee) . The ongoing governance of the Council (including the Covid-19 response and the recovery planning) is considered sound and effective.

Cont/..

Cont/..

Updates for the key themes relevant to this Committee are set out below:

Governance

The Council's Cabinet has received regular Financial reporting (including for Covid-19 response funding) and the full range of reports per the forward plan during 2020. The Audit Committee received its regular reports during 2020. The Corporate Board, chaired by the Leader of the Council, meets regularly. The Council has continued with Transformation work, major projects, delivery of savings and has ensured that staff are fully supported whilst working remotely.

Internal Controls

The Audit Committee has received regular updates on the delivery of the Council's Internal Audit Plan during 2020. Guidance from governing bodies such as CIPFA and IIA have been considered. The scope of the internal audit work has not been materially limited during the year however on the spot auditing of schools has been paused to recognise both the inherent risks and the burden on schools at this time. Auditing has been successfully undertaken remotely in the majority of cases using the TEAM's functionality and our electronic Teammate auditing platform. Internal Audit work has supported some specific Covid-19 response work over the last quarter. We have considered the ongoing risks from Covid-19 and the Recovery work in our internal audit planning for 2021-22.

Risk Management

The Council maintains and reports its Corporate Risk Register to the Cabinet and this Committee. The Corporate risk for the impact of Covid-19 was reported to the January 2021 Cabinet and elsewhere on this agenda to this committee.

Audit Committee Item 6

Decision making report title:	Norfolk County Council's Insurance Cover
Date of meeting:	22 April 2021
Responsible Cabinet Member:	Not applicable
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services
Is this a key decision?	No
<p>Executive Summary</p> <p>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.</p> <p>Providing insurance cover is one of the accepted methods of reducing the impact of risks to Norfolk County Council. 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 organisation against financial loss.</p> <p>This report provides the Audit Committee with information relating to the current position of the insurance provision for Norfolk County Council. The Insurance function is part of the Finance and Commercial Services Department.</p> <p>The report will provide members with assurance as to how the insurance provision is delivered for the County Council and how claims against the Council are managed by the Insurance Team.</p> <p>Recommendations</p> <ol style="list-style-type: none"> 1. To Consider and agree that proper insurance provision exists where appropriate, as confirmed by external and internal reviews and accept the report. 	

1. Background and Purpose

- 1.1. Audit Committee members requested that they might have an annual report containing information about the insurance cover that is in place for Norfolk County Council.
- 1.2. Until 1992 Norfolk County Council was insured with “Ground-up cover”, this is where an insurer takes on the full risk of the cost of any claim settlement. The Council did not carry any deductible and as such premiums were set at a high level as all the risk was held by the insurer. In 1993 it was agreed that on the Liability policy the Council would carry a deductible of £100,000 per claim.
- 1.3. To accommodate this decision, it was necessary to create a fund to cover the element of the self-insurance to the £100,000 level as the Council would be responsible for all claim payments up to that value. Since the mid 1990’s our deductible across liability and motor policies has been increasing to the current £260,000, with Material Damage (Property) at £250,000. The result of the higher levels of deductibles is that insurers can reduce the risk they have to cover and thus reduce the costs of premiums they charge; the fund is then used to cover settlements up to the levels of the deductibles.
- 1.4. Where the insurer takes on the full risk of the claims, under the Ground-up cover scheme, it is the insurer who will take conduct of the claims and make all decisions around the claim in conjunction with the insured. The insurer will investigate, review and decide upon liability, making their recommendations to the insured. Where there is a deductible, the insured will have responsibility and conduct for the claim and is responsible for all decisions made up to the value of that deductible, although in some significant cases the insurer may also be involved in decision making. This process gives the insured much more control and certainty over the settlement of claims.

2. Proposals

- 2.1. This report seeks to provide information and assurances to Members of the committee that there is adequate provision regarding the placement of insurance cover, managing claims and the associated risk mitigation measures throughout the Council and subsidiary companies.

3. Impact of the Proposal

- 3.1. The Council can demonstrate that there is adequate insurance provision in place.

4. Evidence and Reasons for Decision

- 4.1. There are many risks the Organisation faces in delivering the services that it is required to deliver. When risks have been identified there are several industry accepted methods for treatment or mitigation of these risks.

- 4.2. There are four main methods to treat and mitigate identified risks used by the industry:
- **Avoid:** Decide not to start or continue with an activity that gives rise to the risk. Stop the activity or find a different way of doing it. The application of this option is often limited, especially in terms of strategic risks.
 - **Reduce:** Take actions to reduce the impact of the activity, e.g. contingency arrangements. Act to reduce the likelihood e.g. alternative systems, increased training, physical improvements to premises etc.
 - **Tolerate:** One example of the value of risk management is recognising that it may be appropriate to place an activity 'at risk' yet continue with it with agreed constraints.
 - **Transfer:** Share the exposure, either totally or in part, with a partner or contractor, or through insurance.
- 4.3. Risk transfer is usually accomplished using an insurance policy, although not exclusively. This is at its most basic, a voluntary agreement between two parties, the insurance company and the policyholder, in this case Norfolk County Council. In such an agreement the insurer takes on strictly defined financial risks from the policyholder. If an event occurs that is covered by the insurance policy, the insurer will make good the agreed financial loss.
- 4.4. For providing this type of cover against loss the insurer charges a fee, or insurance premium, for accepting the risk which is based on the level of perceived risk. In addition, there may be deductibles, reserves, reinsurance and other financial agreements that modify the financial risk the insurer takes on.
- 4.5. Not all identified risks are insurable, non-insurable risks are risks that an insurer is not willing to take on because the future losses cannot be estimated. Examples of non-insurable risks would include criminal prosecution, loss of reputation and risks around political decision making.
- 4.6. Most risks that are identified can be insured against. However, the cost of insurance, the premium charged by the insurer, will reflect the level of risk the insurer believes they are taking on. The premium is very dependent upon the claim's history of the organisation and how effective risk mitigation measures are that have already been implemented. The insurer will also look at what additional measures could be or are being implemented to reduce the perceived risks.
- 4.7. The cost of cover or the premiums that are to be charged are also dependent upon the level of deductible that is attached to the policy. The greater the excess generally the lower the cost of the cover will be. The policyholder will then be responsible for funding the full costs of any claim up to the agreed excess, and should the claim exceed the excess, the insurer will be responsible for covering the balance.

4.8.

Insurance provision.

Norfolk County Council holds a number of different insurance policies, some that are a legal requirement, others are held out of necessity to provide adequate protection to the organisation, employees and third parties.

There are four main policy types that Norfolk County Council holds cover on:

- **Employers Liability** – As an employer the Council has insurance against claims from employees for breach of our duties towards them. The insurance will allow the Council to meet the costs of compensation for injury or illness as a result of the actions or inactions of the Council. Currently the limit of indemnity on this policy is £50 million with an excess of £260,000.
- **Public Liability** – This policy covers members of the public (non-employees) against claims for breach of duty or where the Council is the occupier of a premises that the public have a right of access to. This policy would also cover claims made against the Council for incidents relating to the Highway. Currently the limit of indemnity on this policy is £50 million with an excess of £260,000.
- **Property or material damage insurance** – Cover for material damage to the Council's property and contents of such properties as a result of applicable perils. Currently the limit of indemnity on this policy is the individual property valuation assessed by NPS with an excess of £250,000.
- **Motor insurance** – Cover for any motor vehicle which is the property of or in the custody of or control of the council. Currently the limit of indemnity on this policy is £50 million with no excess.

4.9.

Some of the additional policies that the Council currently holds are as follows:

- **Airside cover** – Cover for incidents on the airside (live side) at an airport.
- **Terrorism cover** - Policy to cover acts of terrorism against County Hall only.
- **Fidelity Guarantee** – Cover for direct acts of fraud, theft or dishonesty by an employee in the course of their employment.
- **Contract works** - All risks policy to cover loss or damage to contract works undertaken for and on behalf of the Council.
- **Fine Art All Risks cover** – Cover for art and collectables owned or on loan to the council.
- **Travel insurance** – Cover for all authorised trip members worldwide, including specialist medical assistance.
- **Professional Indemnity** – Covers financial loss as a result of acts or omissions in the professional services provided by the Council.

- 4.10. As part of the insurance service provided by the Insurance Team there are several small, individual and explicit or bespoke policies that have been purchased to cover very specific risks. Examples would be cover for asbestos surveys and removal, use of drones and hired in plant cover.
- 4.11. Policies cover all the activities that are undertaken by Norfolk County Council. In addition, cover is provided to all Local Authority schools, the Norse Group and all other subsidiary companies, such as Independence Matters and Repton Developments.
- 4.12. Premiums are paid on an annual basis to the insurer to purchase cover for the designated period. In addition to the premium we are required to pay tax on all insurance policies purchased, the current level of Insurance Premium Tax (IPT) is 12%.
- 4.13. Currently of our main policies, Material Damage (Property Damage) is placed with AIG, Casualty (Employers and Public Liability) and Motor are placed with Zurich Municipal. Smaller or more specialist cover is placed with various specialist insurers through our broker, Aon.
- 4.14. The premiums charged are competitive market rates for the risks related to the activities of the Council. Those rates are then passed on to the individual areas through the annual premium calculations. If an individual area was to look to the market for an individual premium it would find that the rates would be much higher because the risks are more concentrated within a smaller portfolio. The insurer is more comfortable when spreading the risk over a number of areas/elements rather than a single entity.
- 4.15. For an example, our property asset is insured on a portfolio basis against the rebuild value of each property. The insurance market sees the high portfolio value but assess the risk as low because the properties are spread across numerous sites. If a single building was to seek insurance cover the premium would need to reflect the individual value of the property and the level of risk on the specific site. By working on a portfolio bases we can achieve better levels of premium for the Council.
- 4.16. **Claims Handling.**
The Council is self-insured to the level of £260,000 (£250,000 – Property) which results in the Insurance Team having full conduct of all claims that are valued below that figure. The Team has the capacity and experience to make final decisions on all such claims, ensuring the best possible outcome for the Council. The insurers have, as part of the insurance contract, authorised the Team to act on their behalf within the excess layer. The Team have full authority to manage and where necessary, settle claims in the best possible interests of the Council.
- 4.17. All areas of claims brought against the Council, including all companies, are handled in-house by a dedicated professional team of claims investigators and managers, including those claims that ultimately become litigated. The Insurance Team has been managing claims for almost 30 years and has

considerable experience in all classes of business and areas of claim. As the Team is in-house there is ready access to the appropriate officers and Senior Managers in departments against which claims have been brought and access to IT systems and electronic record data as required. Data that is stored is available to investigators without special permissions as it remains within the Council and is being used for the investigation of Council activities.

- 4.18. Claims can be brought against the Council in several ways, a claimant in person may complete a claim form or write a formal letter of claim. Claims may come in through the Ministry of Justice portal, this is a mechanism that allows solicitors to bring claims electronically with specific fixed costs or directly from a solicitor through a traditional letter of claim. No matter how the claim is brought it must contain clear and specific allegations of a breach and a clear description of the location. Once the claim has entered the claims management system it is allocated to the appropriate level of handler.
- 4.19. As a result of the Covid-19 pandemic we have had to manage correspondence with claimants and their representatives differently. All but the most complex claims are fully digital and recorded on the, NTT Data Figtree Claims Management system. All hard copies of documentation relating to claims are now scanned centrally and sent directly to handlers and stored in SharePoint, which is linked directly to the Claims Management system.
- 4.20. Once processed, the claim is allocated to a specific handler who is managed by a Claims Manager. The handler will carry out a full investigation into the allegations and make decisions on the validity of the claim. In the current restriction's, investigators are dealing with most allegations and investigations as desktop activities. The Claims Managers carry out regular audits on the electronic claim files and authorises all payments to ensure there is a consistent approach to claims handling throughout the team. This also enables Managers to identify trends and have an insight into developing areas of concerns. These are fed back to departments and often discussed at industry forums where representatives from other local authorities, insurers, legal representatives and brokers come together to review such trends.
- 4.21. The Team handled almost 2,000 claims in 2020. This is a slight reduction on previous years and is accounted for by the Covid-19 restrictions, less people were out in the community and there were less vehicles on the highway. Norse also furloughed a high number of employees, especially those involved in schools, such as cleaners and caterers, so the vehicles allocated to those staff were taken off the road as were school transport vehicles.
- 4.22. Over 750 of those received were liability claims, the majority of which were brought as Public Liability claims. These claims include alleged slips and trips on the highway, damage to vehicles from alleged highway defects and claims arising from alleged failures in both Children's and Adult Services. A small number of claims (20) were brought as Employers Liability claims where the individual is an employee or is treated as an employee for the purpose of insurance such as volunteers acting in the appropriate capacity.

- 4.23. All claims against the Motor Policy will be related to an incident involving one of our vehicles, some will have a third-party involvement where our vehicle has collided with a vehicle or property owned by the third party. Most of these claims will involve a light commercial vehicle such as a car or van. A number will involve heavy commercial vehicles such as refuse freighters, highway vehicles and specialist vehicles such as fire appliances. There have been just some 650 motor claims this year. All property claims will relate to damage to a property owned by the Council, and we have seen some 450 claims this year. Both motor and property claims are slightly less than last year, probably as a result of Covid-19 restrictions.
- 4.24. Claims are reserved (the potential cost of settlement, should it be necessary, including, all potential legal costs) against the information provided by the third party or their representatives. Where a claim reserve is higher than the excess the insurer has a right to take over conduct of the claim, working alongside the claim's handler and Manager, to ensure an appropriate outcome.
- 4.25. All liability claim allegations must be associated with a breach of statute or negligence. It is for the claimant to bring the allegations of what statute/s they consider have been breached or where there has been negligence on the part of the Council. It is then for the claims handler to fully investigate the allegations and determine if the Council does have a defence or if there is a legal precedent (case law) to consider.
- 4.26. Where there are property damage claims, the handler acts as the Loss Adjustor and provides immediate recovery provisions. This will include, particularly in flood and fire circumstances, managing recovery experts to ensure the property is returned to the pre-incident condition as soon as possible. The handlers will liaise with the occupiers and the specialists to ensure that the service delivery disruption is minimised. This will also include working with contractors and NPS where building works are necessary. Where property damage exceeds the excess, we will work with the insurer and the nominated external Loss Adjuster to ensure the best possible outcome for the organisation.
- 4.27. Where a claimant or the claimant's representative is dissatisfied with a denial, they can refer the claim to the Courts and the claim will become litigated. The handler will work in conjunction with one of our panel solicitors to develop our defence to the allegations. Handlers will take witness statements, collate additional documentation, meet with barristers and eventually attend court to support our witnesses. Whilst in court they will record the salient points of the case for future learning. During the current restriction's trials have been conducted virtually.
- 4.28. Decisions on liability are clear cut, and handlers are trained to review all relevant information to ensure that the correct decision is reached. There is no opportunity to mediate or negotiate on this position, either the Council has breached a duty, or it has not. What is open to negotiation is the value of the claim and what the claimant may have contributed to the loss, pre-existent

injuries/illness or local knowledge of the location etc. Handlers will assess evidence of loss and offer an appropriate level of compensation considering all these factors. The Team does not have the ability to pay any ex-gratia compensation if there has been no breach of statute or duty.

- 4.29. Denial rates (closing a claim with no payment to the third party) forms part of the suite of KPI's for the Insurance Team. Currently the rate for Employers Liability denials is at 68% (it should be noted that this figure is based on a very small sample). The overall Public Liability denial rate (including highway related claims which are currently at 85%) is 77%. Clearly denial rates are very dependent upon what the individual departments and teams are doing and what policies and practices they are working to. Claims can only be defended and denied if there is sufficient documentation and evidence to prove the Council has complied with all that is required to do.
- 4.30. Where a claim must be settled the Claims Manager and claims handlers will provide feedback to the individual departments and managers. This process is used to improve and enhance further our future ability to defend similar claims. Sometimes this will require a change in working practices or consideration of how the activity can be delivered in a different way.
- 4.31. As part of the handling process a number of fraud indicators are checked at each stage during the life of the claim. Where there are concerns raised, further investigation and checking is undertaken. The insurance industry is seeing fraudulent claims in several main areas including motor where the incident is staged, housing damage where tenants are exaggerating the material damage and the exaggeration of injuries by liability claimants. Recent Court cases have seen the judiciary willing to dismiss claims for exaggerated injuries and in extreme cases charge those who brought the claim with fraud.
- 4.32. As part of this investigation process, claims handlers are looking for signs of fraud, comparing photographs, statements, allegations and medical records for inconsistencies. Where fraud is suspected we can refer a claim to one of our panel solicitors who have teams with access to sophisticated fraud detection systems. Should fraud be identified we will refer the findings in the first instance back to the claimant's representatives for consideration and suggest discontinuance.
- 4.33. Reports are regularly produced from the Claims Management system to identify and address any specific claim trends and where these are identified, referred to the departments involved. This has proved very useful to the Highways Team in that it enables Engineers to target areas of need when considering proactive maintenance works.
- 4.34. Recently our insurers, Zurich undertook a thorough review of the way the Council managed Highway maintenance in the light of the revised Code of Practice and at the same time reviewed the Highway claims handling processes. Norfolk scored very well (15 points where the "excellent" bracket is between 1 and 51 points) with no action points to improve the processes.

- 4.35. In addition to responding to liability, motor and property claims, the Insurance Team acts for the Council to recover costs against third parties. The majority of these recovery claims are on behalf of the Highways Team where assets on the network have been damaged or supporting the emergency services following incidents on the network. In the year to date we have successfully recovered some £130,000 back to the Council from third parties.
- 4.36. **Covid-19**
The unprecedented pandemic has placed an enormous strain on the insurance industry over many months. There is been a massive increase in claims related to the pandemic on a world-wide scale and it is expected that premiums will, inevitably be increased to cover some of those costs.
- 4.37. As a result of the pandemic there have been a number of challenges to the insurance policies held by the Council. The Authority has been required to take on activities that in the past have not been part of the normal portfolio of risks a Local Authority would have.
- 4.38. Cover has been sourced and risk advice provided for many new activities the Council has been required to undertake such as:
- The cover for a third-party warehouse to act as a distribution centre for PPE and foodstuffs and the activities within the building.
 - Cover for a temporary mortuary and the activities of those working for that service.
 - Potential cover for third-party property to be used as Covid-19 recovery centres and the associated risks for carers.
 - NCC employees driving vehicles not NCC insured such as NFRS employees driving Health Trust ambulances.
 - Goods in transit such as mass purchase of PPE equipment from abroad.
- 4.39. An effect of the government restriction has been that all witness statements, conferences and even trials are now conducted over the internet. This has been a steep learning curve for all involved, including the claimants, where previously, in a face to face settlements, it was much easier to gauge an individual's response. We are all having to understand new protocols, particularly in a Court setting before a Judge.
- 4.40. As a result of the government restrictions there was a high number of travel claims, in the main, from schools that had planned activity trips for students. Currently approximately £250,000 has been paid out from the Insurance Fund for cancelled trips across the Council. We are in the process of recovering the majority of this money from our external insurer.
- 4.41. **Insurance Fund**
The Insurance Fund is the financial provision that is used to pay settlement compensation and costs to successful claimants including any associated legal and medical costs. The fund is maintained by the collection of premiums paid by the departments against the policy cover provided.

- 4.42. For some classes of insurance, it can take several months or even years to report, investigate, pay and close claims. For some large and complex claims, courts may need to decide on liability, and this can add more time to the process. Claims relating to abuse or long-term disease such as mesothelioma can be open for many years until a final settlement can be agreed.
- 4.43. As noted, each claim will have a reserve set as an estimate of future potential payments (the outstanding amount). Insurers and claims handlers adjust the outstanding amounts as the claim progresses and new information is available. The total value of a claim (the incurred amount) is the amount paid to date plus the “outstanding” amount still to be paid, as money is paid out on a claim, the reserve will be reduced accordingly.
- 4.44. The Council carries large deductibles and we hold financial provisions in the Insurance Fund to meet the liabilities from claims for incidents in the current and previous years. The fund, comprising of departmental premiums, is drawn down to pay compensation to successful claimants up to the full value of the deductible. There needs to be sufficient money within the Fund to meet the historical liabilities, losses arising in previous years, as well as claims in the current policy year.
- 4.45. **Assurance**
Each year the claims profile for the Council is evaluated by external actuaries who considers claims arising from Employers Liability and Public Liability retained by the Council in respect of the period 1 April 1993 to current. The purpose of the evaluation is to estimate the required reserve (Fund) for outstanding claims and to ensure that there are sufficient funds to cover the expected potential liabilities. The investigation uses actual claim figures and statistical analysis to calculate how claims are expected to change over time before they are eventually concluded. The annual review is undertaken by an external Actuary to ensure industry compliance and to give assurance the fund is adequate.
- 4.46. Whilst considering the actual claims held on the book of liabilities for the Council, the review also looks at the whole insurance market to determine what may be brought against the Council in future years. These claims are known as incurred but not reported (INBR), the incident may have occurred but has not been developed into a claim or notified to the Council and the review provides statistical analysis of what value may be placed on such claims. An allowance is then made within the fund to cover such claims should they arise at a future date.
- 4.47. As part of the general auditing process, Claims Managers carry out random reviews of files at various times throughout the life of a claim to ensure consistency. We also have remote training sessions with members of our panel solicitors who provide training and assurance in the context of national standards. Where a claim is litigated all documentation and information will be reviewed in conjunction with legal experts to ensure there is an effective course of action in defending.

4.48. We undertake regular remote claims management strategy meetings with claims handlers on a regular basis. Handlers can bring unusual or more difficult claims to a collective Teams meeting with managers and other handlers where strategy and further action can be discussed. This provided training opportunity to team members and imparts knowledge and experience across the team. These meetings also provide a level of consistency across claims handling and investigation.

4.49. **Alternative Options**

4.50. There are no alternative options.

4.51. **Financial Implications**

5. There are no financial implications to note within this report.

5.1. **Resource Implications**

6. Staff:

6.1. There are no staff implications.

7. Property:

7.1. There are no implications to property to highlight within this report.

IT:

7.2. There are no specific IT implications to highlight in this report

Other Implications

7.3. **Legal Implications**

There are no legal implications to highlight within this report.

8. Human Rights implications

8.1. There are no human rights implications to highlight within this report.

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

8.2. There are no Equality impact assessments to note within this report.

Health and Safety implications (where appropriate)

8.3. There are no Health and safety implications to note within this report.

Sustainability implications (where appropriate)

There are no sustainability implications to highlight within this report.

8.4. **Any other implications**

There are no other implications highlighted on this report.

Risk Implications/Assessment

Audit Committee

Item No. 7

Report title:	Norfolk Audit Services Report for the Quarter ending 31 March 2021
Date of meeting:	22 April 2021
Responsible Cabinet Member:	Not applicable
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services
Is this a key decision?	No
Executive Summary <p>The Section 151 Officer has a duty to ensure there is proper stewardship of public funds and that relevant regulations are complied with.</p> <p>The Audit Committee are responsible for monitoring the adequacy and effectiveness of the systems of risk management and internal control, including internal audit, as set out in its Terms of Reference, which is part of the Council's Constitution.</p> <p>The Council has an approved Business Plan, 'Together, for Norfolk' setting out a clear set of priorities. Internal Audit's work will contribute to these new priorities through the activity set out in supporting Service Plans.</p> <p>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, for the quarter ended 31 December 2020 the system of internal control, including the arrangements for the management of risk was acceptable and therefore considered sound.</p> Recommendation <ul style="list-style-type: none">• To consider and agree: -<ul style="list-style-type: none">○ the key messages featured in this quarterly report, that the work and assurance meet their requirements and advise if further information is required	

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 is 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 key messages below
- that the work and assurance meet their requirements and advise if further information is required

The key messages are as follows: -

2020/21 Opinion work

- 2.2
- **Appendix A** details the final Reports Issued in the Quarter ending 31 March 2021.
 - **Appendix B** details the audits that have been agreed which were considered relevant to continue with in 2020/21. To avoid any potential audit burden and impact due to responses to the ongoing Covid-19 situation, those audits were grouped into four risk assessed categories as follows: -
 - Opinion Work (Final, Draft or work which is well progressed)
 - Audits which would be deferred if it is deemed to hinder the delivery of front-line services
 - Audits which would be deferred if it is deemed to hinder the delivery of back office functions
 - Audits which could be deferred until 2021/22 as considered a lower priority
 - Our current cumulative position as at 31st March 2021 on 2020/21 audits is shown in the table below.

Status	Number
Final reports and Management Letters	13
Draft reports	4
WIP	2
Not started	0
Cancelled	3
Deferred	9
Total audits	31

2020/21 Grant Certifications

- The grant certifications completed up to the end of quarter 4 are detailed in **Appendix C**. All the required grant certifications have been completed

on time.

2020/21 Traded Full School Audits

- Due to covid-19 and restrictions for in-person visits, we have been unable to complete any traded full school audits during 2020/21. This is not considered a material limitation.
- During 2020/21, our audit programme was adapted to enable traded full school audits to take place remotely and pilot audits were completed with two schools in the last month.
- The first 11 traded audits for 2021/22 have also been booked in the Spring Term and these will be completed remotely.

Overall Opinion

- This quarterly NAS report confirms that the overall opinion on internal controls and risk management remains acceptable.

(N.B.: - three descriptors can be used for our overall annual opinion: acceptable - green, key issues to be addressed – amber and key issues to be addressed – red)

High Priority Findings

- The progress with resolving the one corporate High Priority finding (CHPF) is acceptable.

France Channel England (FCE)

- There is satisfactory progress of the Audit Authority work for the France Channel England Interreg Programme.

Other

- Internal Audit's mission is to enhance and protect organisational value by following Public Sector Internal Audit Standards (PSIAS). CIPFA Services were commissioned to undertake an external quality assessment in early 2017. An independent external quality assessment of how the Public Sector Internal Audit Standards (PSIAS) are being met by us is required every five years and our next review is not be due until 2022. Self-review against the PSIAS is ongoing in the meantime, and the results will be reported to Audit Committee in our Annual Report.

- Technical notes are at **Appendix D** for reference.

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 Business plan, 'Together, for Norfolk'.
- 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.

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 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. **Health and Safety implications** (where appropriate)

There are no health and safety implications

8.5. **Sustainability implications** (where appropriate)

There are no sustainability 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. Recommendation

11.1. See Action Required in the Executive Summary above.

12. Background Papers

12.1. Internal audit strategy, our approach and 2019-20 audit plan
Internal audit terms of reference (Charter)
Section C Financial Regulations

Officer Contact

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

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



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

Norfolk Audit Services

Final Reports Issued in the Quarter ending 31 March 2021

NOTE: This report is for audits completed to the 31 March 2021. Any audits completed up to the Audit Committee meeting will be reported verbally at the meeting.

Final Reports: - Issued in Quarter 4

2020/21 Audit Plan: -

A. Opinion Work

1. Treasury Management - Acceptable

Audit Objective: -

1. To provide assurance over the adequacy and effectiveness of internal control and risk management for the County Council's treasury management function to ensure compliance with the CIPFA Treasury Management Code of Practice 2017 and the County Council's Financial Regulations (Section 4.7).

2. Payments to Clients (Direct Payments) – Acceptable

Audit Objectives: -

1. To provide assurance over the adequacy and effectiveness of the controls in place to deliver the objectives and goals of the DPCST in relation to supported PFS accounts.
2. To ensure payments made to PFS accounts are made appropriately, authorised, valid, correct and timely.
3. To ensure payments are supported by an adequate audit trail and appropriate evidence.
4. To ensure contributions made by clients who are part funded are received completely and timely.

3. Procurement (NPS & Norse) – Key issues – Amber

Audit Objectives: -

1. To provide assurance over the adequacy and effectiveness of the controls in place for the procurement of building works and facilities management services undertaken by Norse and NPS on behalf of the Corporate Property Team.
2. To provide assurance that Norse and NPS are undertaking the necessary checks on contractors during the procurement process such as health and safety checks, references and insurance.
3. To ensure the Government Guidelines on establishing 'Working safely during the Covid-19 epidemic' are being followed by NPS, Norse and the Corporate Property Team and assurance mechanisms are in place to confirm this.

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

The Corporate Property Team were asked to: -

- a) Discuss and agree the procurement threshold limits Norse should be following when Norse procure work for the County Council and periodically check to ensure that these limits are followed.
- b) Discuss and agree which contractor list / Framework should be used by Norse when they procure for the County Council.
- c) Review the analysis of contractor usage by spend provided by us, discuss this with Norse and consider opportunities for introducing fresh competition and new contractors if considered necessary.
- d) For urgent work, carry out an analysis to identify the type of work that is deemed urgent and through a value for money process set a fixed or agreed rate for future work with contractors in different areas to ensure value for money.
- e) When approving works for Norse or NPS, ensure that details of all the quotations obtained and the report for tenders are provided to the Capital Projects & Facilities Manager.
- f) If the Funding Approval Form and Application for Funding Form are to be used for seeking approval, amend these so that all the quotes obtained are recorded (contractors and amounts), along with the chosen contractor and if quotes have not been obtained, the reasons for this should be recorded as well.
- g) To ensure that, both Norse and NPS, for the contractors appointed for work, up to date insurances and health and safety membership accreditations are in place and that this is checked again if contractors are appointed for work which spans several years.
- h) Ensure that Norse and NPS establish suitable systems to monitor g) above and monitor that Norse and NPS carry out these checks.

4. Social Care Centre for Engagement (SCCE) – Key issues – Amber

Audit Objectives: -

1. To provide assurance over the adequacy and effectiveness of the controls in place to ensure that social care enquiries, referred to the SCCE have been allocated, managed, actioned and reported in accordance with policies and procedures.

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

The SCCE Team and senior management were asked: -

- a) Explore with the Insights and Analytics Team whether more suitable information could be obtained from LAS to support management information requirements and monitoring of the SCCE Team.
- b) Ensure all referrals had a priority and complexity allocated at the point of triage.
- c) Determine timescales and document these within procedures. Monitor and report against these and take action to understand 'root causes' and make improvements where may be necessary.
- d) Remind managers of their responsibilities for reviewing the quality of recording on cases they are responsible for authorising.

- e) Direct staff to the LAS Data Quality Policy, Record Management procedure 099, Standards and guidance for the completion of written assessments (SG1) to remind them of their responsibilities and the expected standards of recording.
- f) Introduce the proposed quality spot checks recognising the additional resource that may be required on the current proposal.
- g) Consider the potential benefits of a peer review, or a larger and more in-depth review by the QA Team to better understand SCCE's performance and the quality of recording based on "business as usual" activity once we are out of the pandemic.
- h) Confirm NCC and ASS mandatory and desirable training and agree and maintain a formal list of this.
- i) Update the Supervision Form template to reflect the training courses identified, the dates of completion and when next due and complete any outstanding training as soon as possible.
- j) Undertake caseload management monthly in accordance with procedure 093 and agree contingency arrangements for undertaking caseload managements in the event Managers are unavailable long term.
- k) Document KPIs and formally agreed these with senior management. Advise these to SCCE staff, regularly monitor performance and report outcomes to the Senior Management Team.
- l) Consider all the recommendations in terms of achieving consistency across the wider service.

5. Transition of 16-17-year olds to independence – Key issues – Amber

Audit Objectives: -

1. To provide assurance over the adequacy and effectiveness of the controls in place to ensure that: -
 - Semi-independent accommodation (SIA) is fit for purpose and meets the needs of children placed in it
 - The condition of SIA is monitored, and actions are taken timely to resolve any concerns; and
 - There is an adequate number of SIA places to meet demand

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

Management were asked to: -

- a) Discuss and agree the level of assurance required from the SIA 10-day visits performed, assess the staffing resources required to meet that level of assurance and ensure that it can be provided and then monitor that visits are being completed.
- b) Ensure that the new process for following up actions from Contract Monitoring Officer inspections is implemented asap and then monitor the new process to ensure that it is being completed as expected.
- c) Set a target date for the approval of the Performance Monitoring Framework and Reporting Template and once approved ensure that the new process for KPI reporting and monitoring is implemented and then monitor that it is meeting expectations.

- d) Agree expectations in terms of identifying any properties that have not been visited within this expected frequency and then monitor the process to ensure that expectations are being met.

B. Management Letters

1. Foster Carers' Monies

The audit objective was to provide assurance that the monies provided to Foster Carers are spent on foster children. As part of our preliminary work for this audit, we completed a point of practice request with other Home County Local Authorities. From the responses received, we found that Norfolk County Council's practices were comparable to others in terms of what activities were undertaken to monitor how Foster Carers' monies were spent.

From our discussions with the Assistant Director, Children's Social Care Resources, it was agreed that greater scrutiny was not necessary. It was acknowledged that this would require additional resources to complete, which were not available, and the risk of monies not being spent on the foster child was within Children's Services' current risk appetite. Therefore, an audit was not progressed.

2. Financial Management Code

The overall audit opinion was that the action taken by the Financial Projects and Planning Team (FPPT) to review the financial management arrangements against the standards of the Code was acceptable. There is evidence that the Council has reviewed their financial management arrangements against the standards of the code and that they have taken such action as may be necessary to comply with them ready for compliance in 2021-22.

3. Third Party Access to County Council Systems (Suppliers and Staff)

Audit Objective: - To provide assurance over the adequacy and effectiveness of the controls in place for third-party system access for suppliers, and staff requests managed via MyIT.

As a result of our findings, management are asked to: -

1. Review the Code of Connection (CoCo) Agreement and ensure that it is in line with best practice and fit for purpose.
2. Ensure that the CoCo Agreement is completed and signed by all potential system suppliers who will require access to County Council systems at the procurement stage.
3. Ensure that CoCo Agreements for third-party suppliers are reviewed and updated at an appropriate frequency.
4. Maintain an up to date list of third-party suppliers and staff who have access to County Council systems and retain a copy of their latest CoCo Agreement.
5. Assign a role to maintaining the third-party supplier and staff list.
6. Ensure all current active third-party suppliers and staff who have access to County Council systems sign the new CoCo Agreement.
7. Ensure all third-party staff access requests are set up for a specified time period only.
8. Ensure all third-party suppliers on a fixed link or site to site VPN tunnel connection are disabled at the end of their contract.

9. Introduce an escalation and approval process for a decision where a third-party supplier requiring access is unable to meet the requirements of the CoCo Agreement or refuses to sign one.
10. Document a cross-departmental procedure for third-party supplier and staff access covering the roles and responsibilities of all parties involved in setting up third parties with access.

C. Norfolk Pension Fund

1. Transfers Out - Acceptable

Audit Objective: -

1. To provide assurance that adequate processes and controls are in place for members who transfer their benefits.

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Together for Norfolk Ref.
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Opinion Work (Final, Draft or work which is well progressed)				
CES Highways Asset Management Strategy – Final Report Issued	Service risk	5	Assurance over the annual self-assessment assurance process - DfT Incentive Fund.	Growing Economy
CP Asset and Property Disposals at Auction – Final Report Issued	Financial risk	15	Assurance that the controls to manage the auction process are appropriate and working in practice.	Growing Economy
IMT Data Centres – Final Report Issued	IT Service risk RM14140	15	Assurance on the controls in place to manage and operate the two data centres including environment control, fire protection, access and physical security.	N/a
IMT Service Performance – Final Report Issued	General IT and Service Delivery risk	30	Assurance on the controls in place to ensure the service desks are delivering within expected SLAs and that these are being effectively managed and monitored.	N/a
CPT Procurement (NPS & Norse) – Final Report Issued	Financial risk	20	Assurance that the controls in place for procurement are appropriate and working in practice, including the checks completed on bidders and the oversight of NPS and Norse by County Council of their procurement activities.	N/a
CES Third River Crossing Part 1 – Final Report Issued	Project risk RM024	20	Review and challenge of the 'Total of the Prices' as part of the contractor's tender submission.	Strong Communities
Discharge 2 Assess NHSE Recharges – WIP	N/a	30	To provide assurance over the adequacy and effectiveness of the controls in place to make a complete and accurate claim to the Norfolk and Waveney CCG.	N/a

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Together for Norfolk Ref.
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Audits which would be deferred if it is deemed to hinder the delivery of front-line services				
IMT Disaster Recovery – Draft Report Issued	IT Service risk RM14142 / corporate risk RM010 and RM016	15	Assurance on the controls in place to recover systems and to continue to communicate and share information internally and externally in the event of a disaster, taking into account the new systems coming onboard.	N/a
FES Payments to Clients – Final Report Issued	Financial risk	30	Assurance that the controls to manage payments to clients are appropriate and working in practice	Thriving People
ASS Social Care Centre for Engagement (SCCE) – Final Report Issued	Service risk	15	Assurance that the process is working in practice.	Thriving People
CHS Transition of 16-17-year olds to independence – Final Report Issued	Service risk	15	Assurance on the process that 16-17-year olds follow to achieve independence, including the sufficiency and adequacy of accommodation for this group of people.	Thriving People
CES Castle Keep Project Build – Draft Report Issued	Project risk	20	Assurance on the controls in place to manage the building works to ensure that the work is delivered as expected, on time and in budget.	Strong Communities
ASS Follow up of Transforming Care Programme audit recommendations – deferred	Service risk	10	Follow Up of previous recommendations (2018/19).	Thriving People

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Together for Norfolk Ref.
ASS Continuing Health Care (CHC) (New to Audit Plan) – deferred	Service risk	20	Assurance that our policy follows what is legally required and is being followed in practice.	Thriving People
CHS Foster Carers' Monies – Final ML Issued	Service risk	15	Assurance that the monies provided to Foster Carers is spent on foster children.	Thriving People
CHS SEND Capital Programme – deferred	Corporate risk RM030	20	Assurance on the controls to deliver the capital programme on time and to budget.	Thriving People
ASS Discharge to Assess - deferred	Service risk	20	Assurance that our policy is aligned with national process and is being followed in practice.	Thriving People
CHS Transformation Programme (SEND and Social Care) – deferred	Corporate risk RM030	20	Assurance on the controls in place to ensure that the transformation programme is well governed, managed and monitored to deliver the expected benefits and savings.	Thriving People
Audits which would be deferred if it is deemed to hinder the delivery of back office functions				
HR PDPs – cancelled	HR risk	20	Assurance that quality PDPs are being developed with staff and in accordance with the guidance.	
H&S DSE Assessments – cancelled	H&S risk	25	Assurance that employees are complying with the requirements of this policy and that managers are monitoring compliance.	

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Together for Norfolk Ref.
FES Financial Assessments – deferred	Financial risk	20	Assurance that the controls to assess the financial status of potential clients are appropriate and operating in practice.	Thriving People
Bridges Team (Risk assessment and H&S) – In Progress	Compliance and statutory risk	20	To provide assurance that the risk management of resource allocation and health and safety management is in place and is adequately and effectively operated by the Bridges Team.	N/a
Fund 11 (This is the bank account used for all FCE transactions) – Draft Report Issued	Financial risk	15	To provide assurance over the adequacy and effectiveness of the controls in place for the Oracle Fund 11 ledger.	N/a
Third Party Access (Suppliers and Staff) Final Mgmt Letter Issued	IT risk	2.5	To provide assurance over the adequacy and effectiveness of the controls in place for third-party system access for suppliers, and staff requests managed via MyIT.	N/a
Audits which could be deferred until 2020/21 as considered a lower priority				
IMT Digital Norfolk Transformation Programme (Smarter Working, LAN / Wifi) – Draft Report Issued	General IT risk	25	Assurance on the controls in place to ensure that the transformation programme is well governed, managed and monitored to deliver the expected benefits and savings.	Strong Communities
CES Third River Crossing Part 2 – deferred	Project risk RM024	10	Assurance on the operation of the controls in place to manage the building works to ensure that the work is delivered as expected, on time and in budget.	Strong Communities

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Together for Norfolk Ref.
CES NCC Environmental Policy – deferred	Departmental risk	15	Assurance that the newly agreed environmental policy is well governed, managed and monitored to deliver the expected deliverables.	Strong Communities
CES Scottow Enterprise Park (SEP) – cancelled	Service risk	20	Assurance that effective governance arrangements are in place to manage and monitor the SEP, and that the purpose of the SEP is being delivered.	Growing Economy
FIN Financial Management Code – Final Mgmt Letter Issued	Financial risk	15	Assurance over the preparedness for the new Financial Management Code.	N/a
FIN Treasury Management – Final Report Issued	Financial risk	15	Assurance that the controls to manage the County Council's financial investments are appropriate and operating in practice taking into account the Treasury Management Code.	N/a
Proc Public Services (Social Value) Act 2012 & Processing Agreements – deferred	Data Protection & legislation risk	15	Assurance that processing agreements are in place between us as the Data Controller and those we contract with who are Data Processors. Assurance that we have complied with the requirements of the Public Services (Social Value) Act to consider and consult regarding social value when procuring contracts above the relevant Public Contract Regulation threshold.	N/a

KEY: -

ASS – Adult Social Services

CHS – Children's Services

CES – Community and Environmental Services

FES – Financial Exchequer Services

FIN – Finance

Assurance Area and Audit topic	Risk Category / Corporate Risk Register Number / Service Risk	Audit Days	Brief description of the audit scope and purpose	Together for Norfolk Ref.
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CP – Corporate Property

Proc – Procurement

H&S – Health and Safety

HR – Human Resources

IMT – Information Management Technology

Grants certified up to quarter ending 31 March 2021

LGA	EU	Other
Fire (June 20)	Endure (P/e June 20)	Norse (P/e March 20)
Blue Badges (July 20)	CATCH (P/e July 20)	Sheringham Community Primary School - Teaching School Core Grant
Transforming Cities Programme (Oct)	PROWAD (P/e Aug 20)	Sheringham Primary National Teaching School – Emergency Fund
Transforming Care (June 20)	SAIL (P/e Oct 20)	Family Focus (P/e Jun 20)
A140 Hempnall Roundabout (Sep 20)	Endure (P/e Dec 20)	Family Focus (P/e Sep 20)
CES	Monument	Police & Crime Panel (P/e March 20)
LA Bus subsidy (Sep 20)	Mobi-Mix	Local Full Fibre Network (Instalments 1, 2, 3 & 4)
Disabled Facilities (Oct 20)	Green Pilgrimage (P/e Dec 20)	Police Crime Panel (P/e August 20)
	Bidrex (P/e Dec 20)	Income Compensation Scheme for Lost Sales, Fees and Charges
	FACET (P/e Nov 20)	Family Focus (P/e Dec 20)
	CATCH (P/e Jan 21)	Family Focus (P/e Mar 21)
	PROWAD (P/e Feb 21)	ESFA 16-19 Funding

Technical Notes

Work to support the opinion

Our work contributes to the Local Service Strategy (page 5) and the Finance and Commercial Services Department functions for Finance and Risk Management (page 7). Internal Audit's role is described on page 12 of that plan.

My opinion, in the Executive Summary, is based upon:

- Final reports issued in the period (**Appendix A**)
- The results of any follow up audits
- The results of other work carried out by Norfolk Audit Services; and
- The corporate significance of the reports

Audits of Note

No audits of note were completed during the period.

Corporate High Priority Findings

The progress with resolving the Corporate High Priority Findings is acceptable. A more robust process has been put into place to ensure NAS undertake follow up audit work on Corporate High Priority Findings which should result in speedier sign off of these. Previously reliance was placed on departmental owner's confirmation that satisfactory action has been taken.

France (Channel) England (FCE) Update

Good progress has been made against the delivery of the audit plan.

Audit Committee

Item No. 8

Report title:	External Audits
Date of meeting:	22 April 2021
Responsible Cabinet Member:	Not Applicable
Responsible Director:	Executive Director, Finance and Commercial Services
Is this a key decision?	No

Executive Summary

The purpose of this report is to:

- Introduce the External Auditor's Annual Audit Letter NCC and NPF and Certificate 2019-20, which are attached as **Appendix A and Appendix B**. These documents are certain communications that EY must provide to the Audit Committee of the audited client. The closure of the audit; the final audit certificate, notice of conclusion of audit and the annual audit letter are now available alongside the statement of accounts and the annual governance statement on our website: <https://www.norfolk.gov.uk/what-we-do-and-how-we-work/our-budget-and-council-tax/statement-of-accounts>
- Introduce the External Auditor's Provisional Audit Plans for the Council and Norfolk Pension Fund 21-22, which are attached at **Appendix C and D**; and
- Confirm that the PSAA has published the [2021/22 audit fee scale](#), following consultation in January and February 2021. The scale fee is £98,361 for the Council and £20,866 for the Norfolk Pension Fund.

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

Actions required:

To note the PSAA scale fees for 2021-22 and to consider and agree:

- the External Auditor's Audit Letter and Certificate for 2019-20
- the External Auditor's Provisional Audit Plans for the Council and Norfolk Pension Fund 20-21.

1. Background and Purpose

- 1.1. This Annual Audit letter (Appendix A) and Certificate (Appendix B) are certain communications that EY must provide to the Audit Committee of the audited client. This letter complements the External Auditor's Annual Results Report for 2019-20 reported to this Committee in October 2020.

The provisional plans for this year's audits appear at Appendix C and D. The audit fee is set according to a scale fee.

2. Proposals

2.1. To note the PSAA scale fees for 2021-22 and to consider and agree:

- the External Auditor's Audit Letter and Certificate for 2019-20
- the External Auditor's Provisional Audit Plans for the Council and Norfolk Pension Fund 20-21.

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 Council's Financial Statements cover several reporting entities making up the Council's group accounts. Each entity has an audit plan for the financial year and these are provided by different auditors

Entity	Auditor
Norfolk County Council	EY
Norfolk Pension Fund	EY
Norse Group	PwC
Independence Matters	EY
<i>Not consolidated on basis of materiality:</i>	
<i>Hethel Innovation Limited</i>	
<i>Great Yarmouth Development Co. Ltd</i>	
<i>Norfolk Energy Futures Ltd</i>	
<i>Norfolk Safety CIC</i>	

5. Alternative Options

5.1. None.

6. Other Implications: None

7. Risk Implications/Assessment

7.1. None

8. Select Committee comments

8.1. None.

9. Recommendation

9.1. See required actions in the executive summary above.

10. Background Papers

10.1. None

Officer Contact

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

Officer name : Adrian Thompson **Tel No. :** 01603 303395

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



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

**Norfolk County Council
and Pension Fund**

Annual Audit Letter for the year
ended 31 March 2020

1 March 2021

Contents

		Page
Section 1	Executive Summary	3
Section 2	Purpose and Responsibilities	7
Section 3	Financial Statement Audit	9
Section 4	Value for Money	14
Section 5	Other Reporting Issues	16
Section 6	Focused on your future	19
Section 7	Audit Fees	22

Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk).

This 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 (updated April 2018)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.





Section 1

Executive Summary

Executive Summary

We are required to issue an Annual Audit Letter to Norfolk County Council (the Council) and the Pension Fund following completion of our audit procedures for the year ended 31 March 2020.

Covid-19 had an impact on a number of aspects of our 2019/20 audit. We updated our audit procedures to take account of the following issues:

Area of impact	Commentary
Impact on the delivery of the audit	
▶ Changes to reporting timescales	As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, were published and came into force on 30 April 2020. This announced a change to the publication date for final, audited accounts from 31 July to 30 November 2020 for all relevant authorities. We worked with the Council and Pension Fund to deliver our audit in line with the revised reporting timescale.
Impact on our risk assessment	
▶ Valuation of Property Plant and Equipment and Investment Property	The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty over the valuations in place at the 31 March 2020. Caveats around this material uncertainty were included in the year-end valuation reports produced by Management's external valuation experts..
▶ Disclosures on Going Concern	Financial plans for 2020/21 and medium term financial plans required revision to take account of Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Council and the Pension Fund would not appropriately disclose the key factors relating to going concern, underpinned by Management's assessment with particular reference to Covid-19.
Impact on the scope of our audit	
▶ Information Produced by the Entity (IPE)	We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's and Pension Fund's systems because of remote working protocols. We undertook the following to address this risk: <ul style="list-style-type: none">▶ Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and▶ Agree IPE to scanned documents or other system screenshots.
▶ Consultation requirements	Additional EY consultation requirements were required concerning the impact on auditor reports.

Executive Summary (cont'd)

The tables below set out the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion	
▶ Financial statements - Council	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended.
▶ Financial statements - Pension Fund	Unqualified - the financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March
▶ Consistency of other information published with the financial statements (both Council and Pension Fund)	Other information published within the Statement of Accounts was consistent with the financial statements.
▶ Concluding on the arrangements for securing economy, efficiency and effectiveness (Council)	We concluded that the Council had put in place proper arrangements to secure value for money in its use of resources.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The WGA conclusion was delayed whilst the Council waited for HMT to resolve issues on the data submission system. The issues were resolved and we submitted the WGA assurance statement on 17 February 2021. We had no matters to report.

Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a consistency statement that confirmed that the Pension Fund Annual Report was consistent with the audited Pension Fund financial statements.	We are required to give an opinion on the consistency of the financial statements of the pension fund included in the Pension Fund Annual Report of Norfolk Pension Fund. On 30 November 2020 we issued an opinion that stated the Pension Fund Annual Report was consistent with the audited Pension Fund financial statements.
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our respective Audit Results Report were presented to the Audit Committee on 15 October 2020, with an Addendum issued 30 November 2020.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on the 17 February 2021.

We would like to take this opportunity to thank the respective Council and Pension Fund staff for their assistance during the course of our work and, in particular given the challenging priorities they faced as a result of their work in responding to the Covid-19 pandemic, their collaborative approach which enabled us to complete the 2019/20 audit by working remotely.

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

Section 2

Purpose and Responsibilities



Purpose and Responsibilities

The Purpose of this Letter

The purpose of this Annual Audit Letter is to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2019/20 Audit Results Report to the Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council and Pension Fund.

Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plans that we issued on 22 May 2020 for the Pension Fund, and 11 June 2020 for the Council, and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2019/20 financial statements; and
 - ▶ On the consistency of other information published with the financial statements, including the Pension Fund Annual Report.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit - Council

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on the 30 November 2020.

Our detailed findings were reported to the 15 October 2020 Audit Committee, with an update Addendum issued 30 November 2020. The key issues identified as part of our audit were as follows:

Risks	Conclusion
Council	
Misstatements due to fraud or error	We did not identify any matters to report to the Council.
Incorrect capitalisation of revenue expenditure	We did not identify any matters to report to the Council.
Accounting adjustments made in the Movement in Reserves Statement	We did not identify any matters to report to the Council.
Pension liability	<p>Following the publication of the HM Treasury consultation on the remedy for the McCloud judgement in July 2020, together with updated assumptions for investment returns within the Norfolk Pension Fund, the Council obtained a revised actuarial reports from the Pension Fund Actuary. This showed a reduction in the Council's pension fund liability of £8.3 million, for which the financial statements were adjusted.</p> <p>The Norfolk Pension Fund audit reported that Year-end valuation testing of investments at 31 March 2020 identified an unadjusted understatement of investments of £13.722m (or 0.38% of the total value of investment value). Our work calculated the Council's share of this difference would be approximately £7.015 million. Therefore, the Council's share of pension fund assets used to calculate the net Pension liability is understated by £7.015 million. This would reduce the net Pension liability for the Council. The Council did not adjust the financial statements for this difference.</p>

Financial Statement Audit – Council (cont'd)

Key Issues (continued)

Risks	Conclusion
Council	
Valuation of Property, Plant and Equipment	<p>Testing identified a school capital project that completed in February 2020 and had not been transferred from Assets under Construction to Operational Assets. The value of the project was £5.890 million. The financial statements were amended for this classification amendment.</p> <p>The Council amended the financial statements to disclose the material valuation uncertainty paragraph included by its valuer in their valuation report.</p> <p>Sample testing of individual valuation reports identified two valuations where the fair value was not considered to be supportable and was below an expected range by a combined £0.5 million.</p> <p>We performed additional procedures to gain comfort that the reasons driving the under valuation were not replicated in other asset valuations. The remaining judgemental difference is below our reporting level and therefore considered immaterial.</p>
Conversion of schools to Academies	We did not identify any matters to report to the Council.
Accounting for Private Finance Initiatives (PFI)	We did not identify any matters to report to the Council.
Accounting for Dedicated School Grant (DSG)	<p>Our testing of the Council's DSG accounting and disclosures identified a disclosure adjustment concerning the new regulations and future funding.</p> <p>The Council has accounted for DSG in accordance with extant guidance applicable to the 2019/20 financial statements.</p>
Going Concern Disclosures	The Council assessed the impact of Covid-19 on its income, expenditure, cash and reserves position into 2020/21 and 2021/22. The Council amended the going concern disclosure in the financial statements.

Financial Statement Audit – Pension Fund

Key Issues

Risks	Conclusion
Pension Fund	
Misstatements due to fraud or error	We did not identify any matters to report to the Pension Fund.
Risk of inappropriate posting of investment valuation	We did not identify any matters to report to the Pension Fund.
Valuation of Complex Investments (Unquoted Investments)	<p>As a result of the impact of Covid-19 on investment valuations, we extended our procedures to cover all Level 3 investments. Custodian and Fund Managers provided estimated values for unquoted investments based on information up to 31 March 2020. As these investments did not reflect the impact of Covid-19, Management applied Covid-19 asset valuation adjustments based on investment type. These are disclosed in financial statements - Note 3q.</p> <p>Our analytical procedures using market trend data and the latest fund financial statements did not identify any material misstatements. Our reconciliation to revised fund manager Covid-19 adjusted valuations identified a £13.722 million understatement of investment values. The Pension Fund included additional disclosure in the financial statements to fully explain the estimation uncertainty concerning these investments.</p> <p>The Pension Fund did not adjust the financial statements for this difference.</p> <p>We have not identified any other matters to report to the Pension Fund.</p>
Triennial Valuation - formal valuation of the whole Fund carried out under the Local Government Pension Scheme Regulations 2013 to assess and examine the ongoing financial position of the Fund.	We did not identify any matters to report to the Pension Fund.
Going Concern Disclosures	The Pension Fund assessed the impact of Covid-19 on its contributions, benefits payable, cash and investment position into 2020/21 and 2021/22. The Pension Fund amended the Going Concern disclosure in the financial statements.

Financial Statement Audit – Pension Fund (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	<p><u>Council</u></p> <p>We determined planning materiality to be £26.752 million, which is 1.8% of gross expenditure on the provision of Services.</p> <p>We consider gross expenditure on the provision of services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.</p> <p><u>Pension Fund</u></p> <p>We determined planning materiality to be £36.2 million, which is 1% of net assets of the scheme available to fund pension benefits.</p> <p>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.</p>
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.337 million for the Council and £1.8 million for the Pension Fund.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Fire Pension Scheme - We have adopted a smaller materiality of 1.8% of benefits payable to reflect the differing nature of the pension fund. We have applied a materiality of £180,540 with a reporting threshold for audit differences of £9,027.
- ▶ Remuneration disclosures, related party transactions and councillor allowances - As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.



Section 4

Value for Money

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

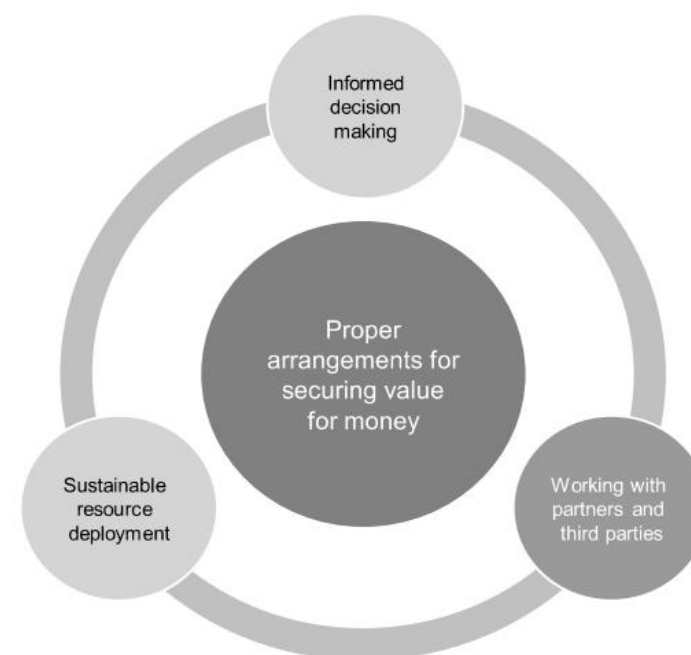
On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019/20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019/20 VFM arrangements conclusion.

We identified one significant risk in relation to these arrangements in respect of the Council's financial resilience over the medium term and the impact on the level of General Fund Reserve balances at the 31 March 2020 and at the 31 March 2023. Whilst we acknowledge that as a result of the Covid-19 pandemic, the Council's plans have been paused, the risks in relation to the arrangements in place to secure sustainable resource deployment and make informed decision making remained relevant to the 2019/20 VFM conclusion.

We reported in detail as part of the Audit Results Report and do not repeat our findings here.

We performed the procedures outlined in our Audit Plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people, and working with partner and other third parties.

We therefore issued an unqualified value for money conclusion on the 30 November 2020.





Section 5

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. The work was delayed due to a national IT issue that HMT have resolved.

We performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We issued our assurance statement to the NAO on 17 February 2021 and had no matters to report.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any matters to report.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public. We did respond to a number of correspondence items from members of the public.

Other Powers and Duties

We did not identify any issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Other Reporting Issues (cont'd)

Independence

We communicated our assessment of independence in our respective Audit Results Reports to the Audit Committee on 15 October 2020. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Council or the Audit Committee.

Section 6

Focused on your future

Focused on your future

The NAO has a new Code of Audit Practice for 2020/21. The impact on the Council is summarised in the table below.

Council 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 new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 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.

Continued

Focused on your future (cont'd)

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 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.

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It was proposed that IFRS 16 (Leases) would be applicable for Local Authority accounts from the 2021/22 financial year, deferred a year due to the impact of Covid-19. Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for Local Authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet. However in response to the ongoing pandemic and its pressures on council finance teams, the CIPFA LASAAC Local Authority Accounting Code Board has announced that the implementation of IFRS 16 in the Code of Practice on Local Authority Accounting in the UK (the Code) will be deferred until the 2022/23 financial year. This decision brings the Code in line with the decision by the Government's Financial Reporting Advisory Board to put back the effective date for the implementation of the standard to 1 April 2022.</p> <p>CIPFA LASAAC has indicated that the deferral is limited to one year only and that there is no intention to grant any further extensions based on a lack of preparedness.</p> <p>The announcement is available on CIPFA's website.</p>	<p>There are transitional arrangements within the standard and It is assumed this will be reflected in the 2021/22 Accounting Code of Practice for Local Authorities when published. CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>



Section 7

Audit Fees

Audit Fees - Council

In the Audit Results Report we indicated that we had carried out additional work as a result of the impact of Covid-19 that necessitated an additional audit fee. We have now quantified this fee. We have discussed the proposed additional fee with the Executive Director of Finance & Commercial Services after providing supporting details. We will now seek formal approval from PSAA.

Description	Final Fee 2019/20 £'s	Planned Fee 2019/20 £'s	Scale Fee 2019/20 £'s	Final Fee 2018/19 £'s
Council				
Total Audit Fee - Code work	98,361	98,361	98,361	102,100
Changes in work required to address professional and regulatory requirements and scope associated with risk	71,483	71,521		
Revised Proposed Scale Fee (see Note 1)	169,844	169,882	98,361	102,100
Additional work:				
• Assessment of Going Concern in light of Covid-19 including consultation process and documentation and the reassessment of materiality and identification of any further audit risks (including in relation to VFM)	7,760			
• Increased Property, Plant and Equipment and Investment Property procedures to consider, challenge and respond to the basis of the valuation, including the RICS material uncertainty clause, including the use of specialists from EY Real Estate	6,655			
• Pensions IAS19 - consideration and challenge of the assumptions used for the McCloud Remedy Consultation and the impact those assumptions had on the liability, including the use of specialists from EY Pensions	1,934			
• Audit procedures on corrections to the financial statements, this includes repeating procedures following receipt of collection fund returns from billing authorities.	1,088			
• Additional work concerning Dedicated School Grant negative balance - accounting, disclosure and VFM impact.	691			
• Responding to correspondence from members of the public.	1,584			
Total Audit Fee	189,556		98,361	102,100

Note 1 - For 2019/20, we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our Audit Plan. Our proposed increase has been discussed with management and is with PSAA for determination.

Audit Fees – Pension Fund

Description	Final Fee 2019/20 £'s	Planned Fee 2019/20 £'s	Scale Fee 2019/20 £'s	Final Fee 2018/19 £'s
Pension Fund				
Total Audit Fee - Code work	20,866	20,866	20,866	20,866
Changes in work required to address professional and regulatory requirements and scope associated with risk	40,005	40,005		
Revised Proposed Scale Fee (see Note 1)	60,871	60,871	20,866	20,866
Additional work:				
• Assessment of Going Concern in light of Covid-19 including consultation process on work performed and impact on the audit report, documentation and the reassessment of materiality, and identification of any further audit risks	4,497			
• Additional work performed on level 3 investments to corroborate the estimated impact of Covid-19 applied by the Pension Fund. This includes a consultation process on work performed and impact on the audit report.	3,840			
• Work required to respond to IAS19 assurance requests from admitted bodies and their auditors. For 2019/20, this includes the additional procedures performed to test the data submitted for the fund's triennial valuation.	11,500			5,500
Total Audit Fee	80,708		20,866	26,366

Note 1 - For 2019/20, we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our Audit Plan. Our proposed increase has been discussed with management and is with PSAA for determination.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORFOLK COUNTY COUNCIL

Issue of audit opinion on the financial statements

In our audit report for the year ended 31 March 2020 issued on 30 November 2020 we reported that, in our opinion, the financial statements:

- gave a true and fair view of the financial position of Norfolk County Council as at 31 March 2020 and of its expenditure and income for the year then ended;
- gave a true and fair view of the financial position of the Group as at 31 March 2020 and of its expenditure and income for the year then ended; and
- had been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Issue of audit opinion on the pension fund financial statements

In our audit report for the year ended 31 March 2020 issued on 30 November 2020 we reported that, in our opinion the pension fund's financial statements:

- gave a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2020 and the amount and disposition of the fund's assets and liabilities as at 31 March 2020; and
- had been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Issue of value for money conclusion on Norfolk County Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

In our audit report for the year ended 31 March 2020 issued on 30 November 2020 we reported that, in our opinion, in all significant respects, Norfolk County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

Certificate

In our report dated 30 November 2020, we explained that we could not formally conclude the audit on that date until we had completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We have now completed this work.

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave an unqualified opinion and value for money conclusion.

We certify that we have completed the audit of the accounts of Norfolk County Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

MARK HODGSON
ERNST & YOUNG LLP

.....
Date: 17 February 2021

Mark Hodgson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge



Appendix C

Norfolk County Council

Provisional Audit Plan

Year ended 31 March 2021

30 March 2021



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

Dear Committee Members

30 March 2021

Provisional Audit Plan - 2020/21

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 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 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 Provisional Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council 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 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 22 April 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

Mark Hodgson
Associate 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 via the PSAA website (<https://www.psa.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 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 2020/21 audit strategy



Overview of our 2020/21 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. 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	Significant Risk	New risk area for 2020-21	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 2020/21 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
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.
Pensions valuations and disclosures	Inherent Risk	Decrease in risk assessment (Significant risk in 2019-20)	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.

Auditing accounting estimates

In addition to the above risks and areas of focus, a revised auditing standard has been issued in respect of the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we may see the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area. The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required.

Overview of our 2020/21 audit strategy

Materiality - Norfolk County Council - Single Entity financial statements

Planning
materiality
£26.7m

Materiality for the Council's financial statements has been set at £26.688 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%. We do not consider there to be any heightened risks that would mean we need to adopt a lower level of materiality.

Performance
materiality
£20m

Performance materiality has been set at £20.016 million, which represents 75% of materiality.

Audit
differences
£1.3m

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 £1.334 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 2020/21 audit strategy

Materiality - Norfolk County Council - Group financial statements

Planning
materiality
£31.4m

Materiality for the Council's Group financial statements has been set at £31.424 million, which represents 1.8% of the prior years Gross Expenditure on Group Net Cost of Services plus Financing and Investment Expenditure. In the prior year we also applied a threshold of 1.8%. We do not consider there to be any heightened risks that would mean we need to adopt a lower level of materiality.

Performance
materiality
£15.7m

Performance materiality has been set at £15.711 million, which represents 50% of materiality, based on errors in the prior year consolidation.

Audit
differences
£1.6m

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 £1.571 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

Overview of our 2020/21 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 County Council and Group give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness (Value for Money). We include further details on VFM in Section 03, highlighting the changes included in the NAO's Code of Audit Practice 2020.

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 Going Concern disclosure in recent years as well as the expansion of factors impacting the Value for Money conclusion. Therefore, to the extent any of these or any other risks are relevant in the context of Norfolk County's audit, we will discuss these with management as to the impact on the scale fee.

Audit team changes

Sappho Powell, a Senior Manager within our Government & Public Sector team, will be replacing David Riglar in the role of Senior Audit Manager for the engagement. Mark Hodgson remains in his role as Partner in Charge of the audit.



02 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) 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.

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.

These are set out on the two slides which follow.

What will we do?

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

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry 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.
- ▶ Consideration of 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 testing of journal entries and other adjustments in the preparation of the financial statements.

To address the residual risk of management override we perform specific procedures which include:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, for example using our journal tool to focus our testing on specific journals such as those created at unusual times or by staff members not usually involved in journal processing;
- ▶ Assessing key accounting estimates for evidence of management bias; and
- ▶ Evaluating the business rationale for significant unusual transactions

Our response to significant risks (continued)

Misstatements due to fraud or error - the incorrect capitalisation of revenue expenditure *

Financial statement impact

We have identified a risk of expenditure misstatements due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to the capitalisation of revenue expenditure 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 deliver against the annual budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We consider the risk applies to the capitalisation of revenue expenditure. Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account.

The Council has a large capital programme and therefore, there is the potential for revenue items to be 'hidden' within a programme of this size.

What will we do?

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

- Sample testing additions to Property, Plant and Equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised; and
- Using our data analytics tool to identify and test journal entries that move expenditure into capital codes.

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)

<p>Accounting for Covid-19 related Government grants</p>	<p>What is the risk?</p> <p>The Council has received a significant level of government funding in relation to Covid-19. In 2020/21, this consists of non-ringfenced and ringfenced Covid-19 response grants, amounting to £144.9 million.</p> <p>Whilst there is no change in the CIPFA Code or Accounting Standard (IFRS 15) in respect of accounting for government grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment within the 2020/21 statements.</p>	<p>What will we do?</p> <p>In order to address this risk we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> • Sample testing Government Grant income to ensure that they have been correctly classified as specific or non-specific in nature. • Sample testing Government Grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body. <p>We will encourage the finance team to provide its assessment of grant accounting before it prepares the statements so that we can provide an early view on its proposed accounting treatment.</p>
<p>Financial statement impact</p> <p>We have identified a risk of Government grant income misstatement that could affect the Income and Expenditure accounts.</p> <p>We consider the risk applies to the classification of Government grant income and could result in a misstatement of 'Cost of Services' reported in the 'Comprehensive Income and Expenditure' statement and Balance Sheet.</p>		

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?

Academies

Schools have continued to convert to Academy status since 2015/16. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment.

There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.

Other balances relating to debtors, creditors, cash balances and income (including dedicated schools grant) and expenditure within the Council's accounts are considered to be lower risk due to their size and nature.

Valuation of Property, Plant & Equipment

Property, Plant and Equipment represent a significant balance in the Council's accounts and are 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 balances recorded in the Balance Sheet for land and buildings in particular.

The Council will engage an external expert valuer who will apply a number of complex assumptions to these assets. Annually assets are assessed to identify whether there is any indication of impairment.

As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated.

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:

- ▶ Review the arrangements for agreeing with the school assets, liabilities and balances for transfers; and
- ▶ Review how the transfers have been accounted for, including reconciling the Schools that have converted to academies during the year to the various systems including those that have been disposed of in the Fixed Asset Register during the year.

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

- ▶ Consider the work performed by the Council's 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 and annually for IP. 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 2020/21 to confirm that the remaining asset base is not materially misstated, including specific assessment of the Waste Plant Facility;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation;
- ▶ Consider circumstances that require the use of EY valuation specialists to review any material specialist assets and the underlying assumptions used; and

Test accounting entries have been correctly processed in the financial statements.

Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?

Pensions valuations and 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

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.

Accounting for this scheme involves significant estimation and judgement.

At 31 March 2020 this totalled £1,119.8 million. The information disclosed is based on the IAS 19 report 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:

- ▶ 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 Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by National Audit Office (NAO) for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus (continued)

What is the risk/area of focus?

Going Concern Compliance with ISA 570

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on the Council's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Council to ensure its going concern assessment is thorough and appropriately comprehensive.

The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified. In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.

What will we do?

We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by:

- ▶ Challenging management's identification of events or conditions impacting going concern;
- ▶ Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias);
- ▶ Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern;
- ▶ Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern;
- ▶ Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties;

We will discuss the detailed implications of the revised Auditing Standard with finance staff shortly and seek to agree with management to receive an early draft of the Council's going concern assessment in advance of the 2020/21 year-end audit in order to provide management with feedback on the adequacy and sufficiency of the proposed disclosures in relation to going concern.

Other areas of audit focus (continued)

What is the risk/area of focus?

Auditing accounting estimates

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019.

This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors.

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

The changes to the standard will affect the nature and extent of information that we request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk. For example:

- We will place more emphasis on obtaining an understanding of the nature and extent of your estimation processes and key aspects of related policies and procedures. We will need to review whether controls over these processes have been adequately designed and implemented in a greater number of cases.
- We will provide increased challenge of aspects of how you derive your accounting estimates. For example, as well as undertaking procedures to determine whether there is evidence which supports the judgments made by management, we may also consider whether there is evidence which could contradict them.
- We will make more focussed requests for evidence or carry out more targeted procedures relating to components of accounting estimates. This might include the methods or models used, assumptions and data chosen or how disclosures (for instance on the level of uncertainty in an estimate) have been made, depending on our assessment of where the inherent risk lies.
- You may wish to consider retaining experts to assist with related work. You may also consider documenting key judgements and decisions in anticipation of auditor requests, to facilitate more efficient and effective discussions with the audit team.
- We may ask for new or changed management representations compared to prior year's as a result of the above procedures.



03

Value for Money Risks





Value for money

The 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.

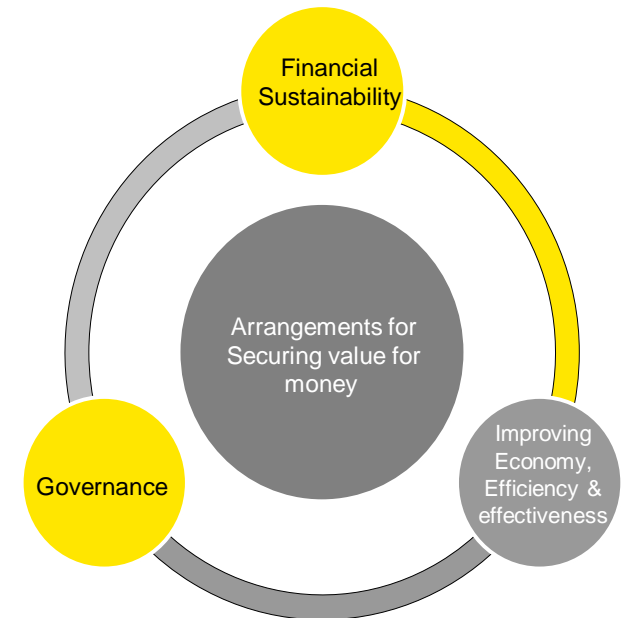
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailor's the content to reflect its 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 its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 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; 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.





Planning and identifying VFM risks

The NAO's guidance notes require 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. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

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 (such as OfSTED) and other bodies and
- Any other evidence source that we regard 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, 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

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

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the Audit Report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 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 2020/21 VFM planning

We have yet to complete our detailed VFM planning.

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



04

Audit materiality

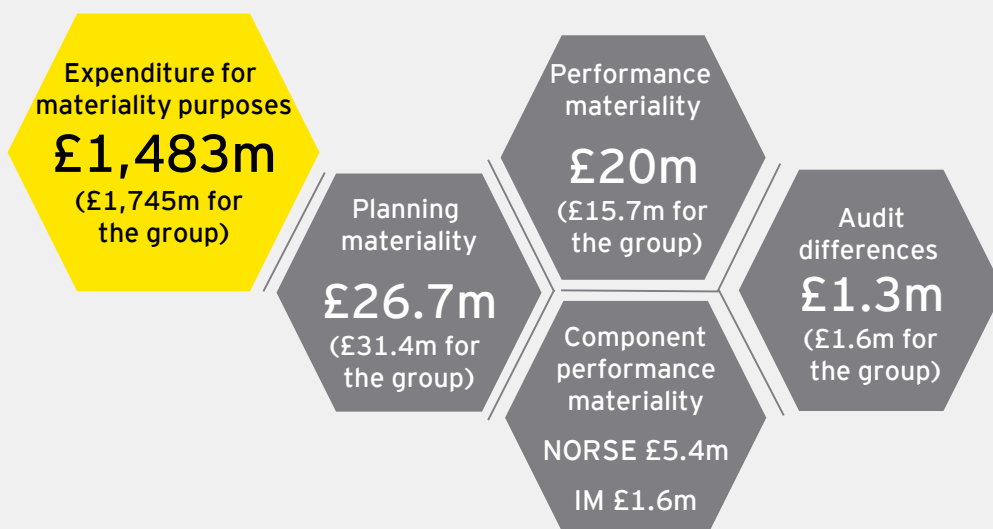


Audit materiality

Materiality

For planning purposes, materiality for 2020/21 has been set at £26,688 million (£31,424 million for the group). This represents 1.8% of the Council's prior year gross expenditure on net cost of services plus financing and investment expenditure. The Council is a major local audit based on its size, we have considered its overall risk profile and public interest in comparison to other Council's, and do not consider there to be any heightened risks that would mean we need to adopt a lower level of materiality.

Materiality will be reassessed throughout the audit process. In an audit of a public sector entity, we consider gross expenditure to be the appropriate basis for setting materiality as it is the benchmark for public sector programme activities.



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 £20,016 million (£15,711 million for the group) which represents 75% of planning materiality (Group 50% of planning materiality), which is consistent with the prior year. We have considered a number of factors such as the number of errors in prior year and any significant changes in 2020/21 when determining the percentage of planning materiality.

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 £1,334 million (£1.571 million for the group) are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement and balance sheet 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 specific materiality for the areas below which reflects our understanding that an amount less than our materiality may influence the economic decisions of users of the financial statements:

- Remuneration disclosures, related party transactions and councillor allowances - As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.



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 review and report on the Council'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:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

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, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

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

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.

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.

Our intention is to carry out a fully substantive audit in 2020/21 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2020/21, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

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 Committee.

Internal audit:

As in prior years we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

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 locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below.

1	Full scope audits
Nil	Specific scope audits
1	Review scope audits
Nil	Specified procedures
Nil	Other procedures

Full scope audit - NORSE

Review scope audit - Independence Matters

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations 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: locations 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.

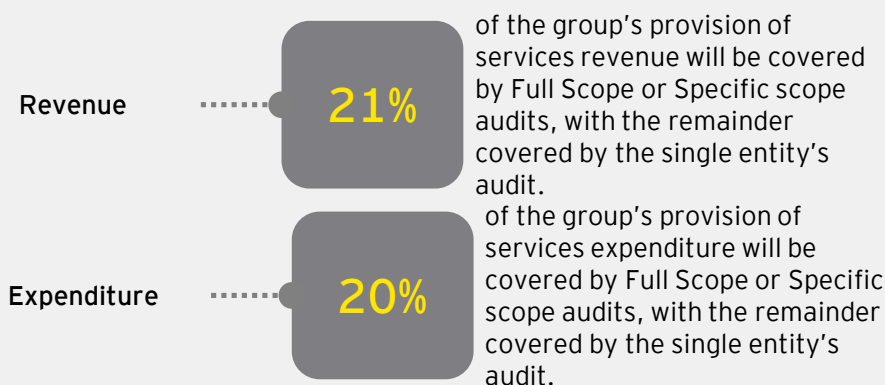
Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: For those locations 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 Revenue and Expenditure

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 revenue and 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.

The NORSE Group will be audited by PwC, a non-EY member firm, who will confirm their independence via our group instructions.

Independence Matters is audited by Larking Gowen.

Key changes in scope from last year

There have been no changes in scope from last year. Norse remains a significant component, categorised as full scope, and Independence Matters a non-significant component, categorised as review scope.

Group audit team involvement in NORSE component audit

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 specified procedures for Independence Matters

In order to provide us a reasonable assurance over Independence Matters, we will carry out analytical review procedures and seek management representation.



06

Audit team



Audit team and use of specialists

Audit team

The engagement team is led by Mark Hodgson, who has significant experience on County Council audits. We have agreed a two year extension to Mark's tenure as Engagement Partner with the PSAA Ltd. We also sought and gained approval to this decision from the Council's Section 151 Officer and Audit Committee Chair, as part of our overall considerations for the extension.

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 Chief Accountant. The day to day audit team will be lead by Gavin Savage, Senior.

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
Valuation of Land and Buildings	Norfolk Property Services (the Council's property valuer). We will also consider any valuation aspects that require EY valuation specialists to review any material specialist assets and the underlying assumptions used.
Pensions disclosure	EY Actuary, PwC (Consulting Actuary to the PSAA) and Hymans Robertson (Council's Actuary).
Financial instrument fair value disclosures	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.



07 **Audit timeline**





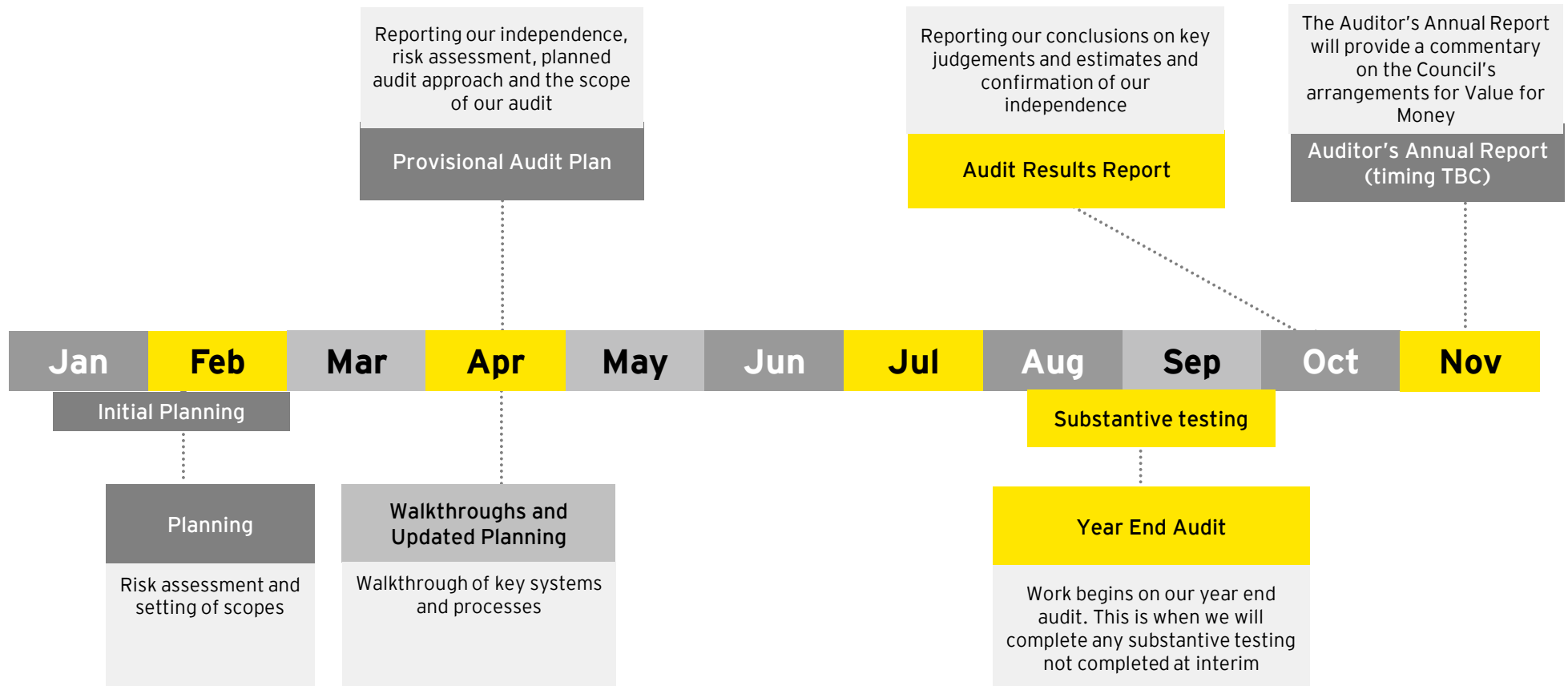
Audit timeline

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 2020/21.

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.





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 the 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; ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard. 	<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 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; ▶ Written confirmation that all covered persons are independent; ▶ 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 any contingent fee arrangements for non-audit services provided by us or our network firms; 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 also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

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 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. At the time of writing, the current ratio of non-audit fees to audit fees is 0%.

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.

Independence

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 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 2020:

https://www.ey.com/en_uk/who-we-are/transparency-report-2020

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 16 March 2021. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant in vestees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 16 March 2021 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.



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 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£		£
Total Fee - Code work	98,361	98,361	98,361
Changes in work required to address professional and regulatory requirements and scope associated with risk	71,483	-	71,483
Revised Proposed Scale Fee (see Note 1)	169,844	98,361	169,844
Additional work:			
2019/20 Additional Procedures required and as reported within the Annual Audit Letter	-		19,712
2020/21 Additional Procedures required in response to the additional risks identified in this Audit Plan in respect of: <ul style="list-style-type: none"> Accounting for Covid1-9 related Government Grant income. 	TBC		
Total fees	TBC	98,361	189,556




All fees exclude VAT

Note 1 - For 2019/20 and 2020/21, we have proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our 2019/20 Audit Plan. Our proposed increase has been discussed with management and is with PSAA for determination.

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) - 22 April 2021
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 2021 (timing TBC)




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 2021 (timing TBC)
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 2021 (timing TBC)
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 2021 (timing TBC)
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 2021 (timing TBC)




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 Results Report - October 2021 (timing TBC)</p> <p>Audit Plan (Provisional) - 22 April 2021</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 	<p>Audit Results Report - October 2021 (timing TBC)</p>	
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 Committee may be aware of 	<p>Audit Results Report - October 2021 (timing TBC)</p>	
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	<p>Audit Results Report - October 2021 (timing TBC)</p>	

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	 What is reported?	  When and where
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 	<p>Audit Results Report - October 2021 (timing TBC)</p> <p>Audit Plan (Provisional) - 22 April 2021</p>
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - October 2021 (timing TBC)
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - October 2021 (timing TBC)
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 2021 (timing TBC)
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 	<p>Audit Results Report - October 2021 (timing TBC)</p> <p>Audit Plan (Provisional) - 22 April 2021</p>

Additional audit information

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 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 Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

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 locations at which we conduct audit procedures to support the opinion given on the Council financial statements; and
- ▶ 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.

**Norfolk Pension
Fund**

Provisional Audit Plan
Year ended 31 March 2021

30 March 2021



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

30 March 2021

Dear Audit Committee/ Pension Fund Committee Members,

2020/21 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 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 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 22 April 2021 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

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

Contents

01

Overview of our 2020/21 audit strategy



02

Audit risks



03

Audit materiality



04

Scope of our audit



05

Audit team



06

Audit timeline



07

Independence



08

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.psa.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 2020/21 audit strategy



Overview of our 2020/21 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)	Inherent risk	Decrease in risk assessment (was a significant risk in 2019-20)	<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 2019/20 approximately 19% 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 2019/20 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
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 2021.</p>

Overview of our 2020/21 audit strategy

Materiality

Planning
materiality

£36m

Materiality has been set at £36.211 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

£27m

Performance materiality has been set at £27.158 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

£1.8m

We will report all uncorrected misstatements relating to the primary statements (Net Assets Statement and Pension Fund Accounts) greater than £1.811 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

Overview of our 2020/21 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 2021 and the amount and disposition of the Fund's assets and liabilities as at 31 March 2021; 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.

Audit team changes

Sappho Powell, a Senior Manager within our Government & Public Sector team, will be replacing David Riglar in the role of Senior Audit Manager for the engagement. Sherald Ang will be taking on the role of Lead Senior for the engagement.

Mark Hodgson remains in his role as Partner in Charge of the audit.



02 Audit risks



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>

Audit risks

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 (£84.2 million in 2019/20) and Asset valuations (£3.618 billion at 31 March 2020) 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.

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?

Valuation of Complex Investments (Unquoted Investments)

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 2019/20 approximately 19% 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.

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 £5,199 million as at 31 March 2020.

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 2021.

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.

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 2020/21 has been set at £36.211 million. This represents 1% of the Pension Fund's prior year audited Net Assets. 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 £27.16 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 2020/21 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 2020/21 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

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.



06 Audit timeline



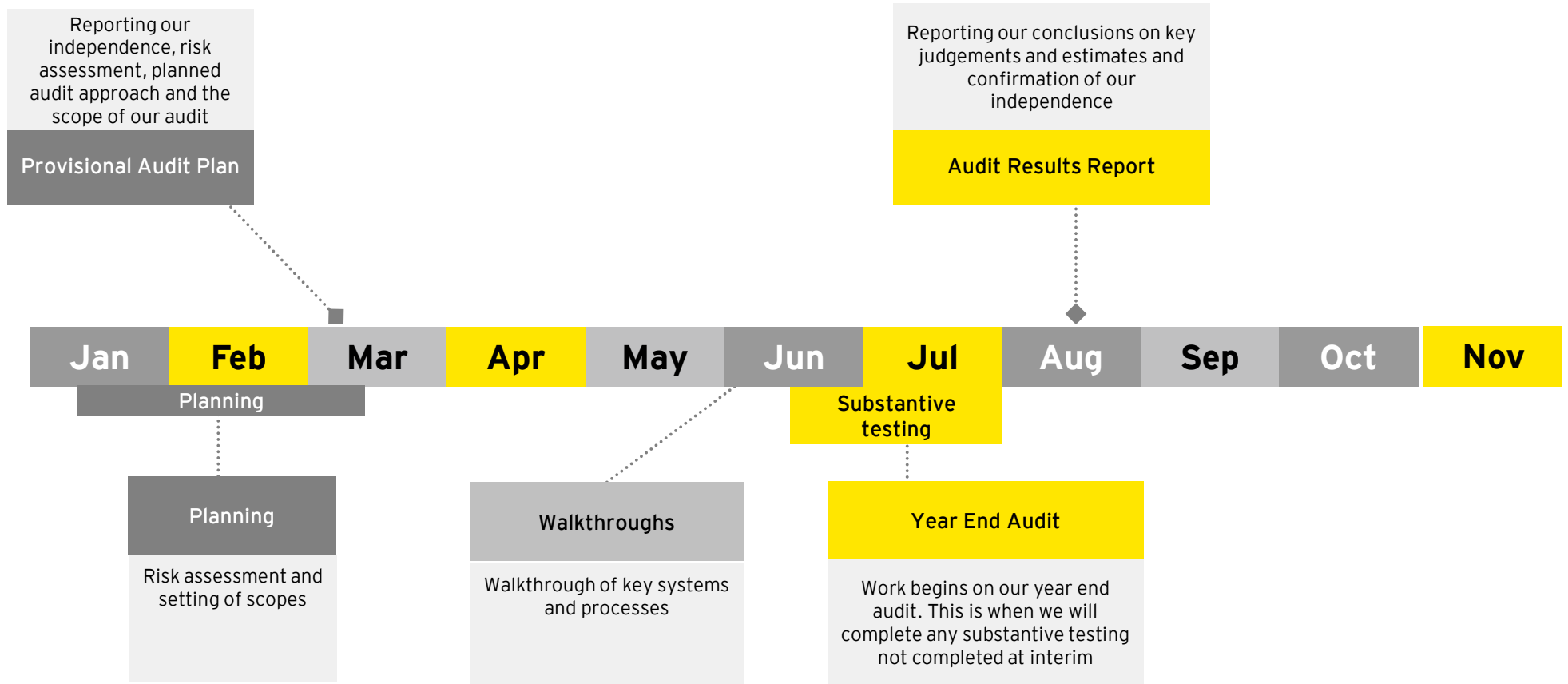


Audit timeline

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 2020/21. 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 June 2016, 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 the 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. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation] 	<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 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; ▶ Written confirmation that all covered persons are independent; ▶ 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 any contingent fee arrangements for non-audit services provided by us or our network firms; 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 also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

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 audit 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 2020: https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2020/ey-uk-2020-transparency-report.pdf



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 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'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)	40,005	-	40,005
Additional work required for Covid-19 considerations	To be confirmed	-	8,337
Additional Audit Fee in respect of work on behalf of Admitted Body auditors (recharged to the Pension Fund) (Note23)	8,000	-	11,500
Total fees	To be confirmed	20,866	80,708

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 2019/20 and 2020/21 the scale fee has been re-assessed to take into account a number of risk factors and is with PSAA Ltd to be determined.



Note 2: In 2019/20, we had to perform additional procedures to address the risks resulting from Covid-19. These are subject to formal approval by PSAA Ltd. We cannot quantify the impact of any work resulting as a response to C-19 risks in 2020/21 at this point. We will provide an update on the additional fee implications at the conclusion of the audit.

Note 3: We anticipate charging an additional fee of £8,000 in 2020/21 to take into account the additional work required to respond to IAS19 assurance requests from admitted bodies and their auditors. For 2019/20 we were also required to perform additional procedures over the 2019 triennial valuation on the Fund on behalf of admitted body auditors. The Pension Fund can recharge this fee to the relevant 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	<p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>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.</p>	Audit Plan (Provisional) - 22 April 2021 - 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 2021 - 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 2021 - 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 2021 - 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 2021 - 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 2021 - 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) - 22 April 2021 - Audit Committee</p> <p>Audit Results Report - October 2021 - 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 	<p>Audit Results Report - October 2021 - Audit Committee</p>
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 	<p>Audit Results Report - October 2021 - Audit Committee</p>
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	<p>Audit Results Report - October 2021 - Audit Committee</p>

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 2021 - 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 2021 - 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 2021 - 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) - 22 April 2021 - Audit Committee Audit Results Report - October 2021 - Audit Committee	

Additional audit information

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 Pension Fund'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 Pension Fund to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements and reporting whether it is materially inconsistent with our understanding and the financial statements.
- ▶ Maintaining auditor independence.

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 locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ 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.

Audit Committee

Item No. 9

Report title:	Audit Committee Terms of Reference
Date of meeting:	22 April 2021
Responsible Cabinet Member:	Not Applicable
Responsible Director:	Executive Director, Finance and Commercial Services
Is this a key decision?	No
Executive Summary	
<p>The Audit Committee's Terms of Reference are set out in the Council's Constitution at (Appendix 2, page 2): Composition and Terms of Reference of Regulatory and Other Committees.</p> <p>The Audit Committee are deemed 'Those charged with Governance', on behalf of the Council. The Committee forms part of the Council's System of Internal Control and Risk Management and performs specific functions required by statutory regulations.</p> <p>Key objectives of this Committee are to provide proactive leadership and direction on audit governance issues and champion sound proportionate audit, internal control and risk management throughout the Council.</p> <p>Actions required:</p> <p>To consider and agree the Terms of Reference for the Audit Committee, with no changes.</p>	

1. Background and Purpose

- 1.1. This report introduces the Committee's Terms of Reference. The terms of reference for the Committee are considered as part of a regular formal review, as set out in its terms of reference. The last review was at the January 2019 meeting of this committee.

No changes are proposed. Pursuant to paragraph 2.1 of Article 13 of the Constitution the Chief Legal Officer has delegated authority to make any necessary consequential changes to the Constitution.

2. Proposals

- 2.1. The Audit Committee is requested to consider and agree the proposed Terms of Reference in (Appendix A) with no changes.

3. Impact of the Proposal

- 3.1. This review fulfils the relevant terms of reference of this committee.

4. Evidence and Reasons for Decision

- 4.1. The terms of reference for the Committee are considered as part of a regular formal review, as set out in its terms of reference. The last review was undertaken in January 2019. No changes are proposed. The Chief Legal Officer has the necessary delegated authority to make any necessary consequential changes to the Committee's Terms of Reference. These Terms of Reference are compliant with the requirements of the Public Sector Internal Audit Standards (PSIAS) 2013 and the Local Authority Guidance Note of April 2013 and help to ensure that the Council complies with best practice guidance identified in the CIPFA publication 'A toolkit for Local Authority Audit Committees'.

5. Alternative Options

- 5.1. None.

6. Other Implications: None

7. Risk Implications/Assessment

- 7.1. None

8. Select Committee comments

- 8.1. None.

9. Recommendation

- 9.1. See required actions in the executive summary above.

10. Background Papers

- 10.1. None

Officer Contact

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

Officer name : Adrian Thompson **Tel No. :** 01603 303395

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



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

Appendix A

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE – Proposed

A Governance

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

B Internal Audit and Internal Control

- 1 With Chief Officers, to provide proactive leadership and direction on audit governance issues and champion audit and internal control throughout the Council.
- 2 Consider annually the effectiveness of the system of internal audit including internal audit's strategy, plan and performance and that those arrangements are compliant with all applicable statutes and regulations, including the Public Sector Internal Audit Standards and the Local Authority Guidance Note of 2013 and any other relevant statements of best practice.
- 3 Consider an annual report and quarterly summaries of internal audit reports and activities which include an opinion on the adequacy and effectiveness of the Council's internal controls including risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary. The Chairman can request a sample of audit reports to review periodically.
- 4 Consider reports showing progress of all clients against the audit plan and proposed amendments to the Council's audit plan.
- 5 Ensure there are effective relationships between internal audit and external audit, other inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.

C Risk Management

- 1 Provide proactive leadership and direction on risk management governance issues and champion risk management throughout the Council and ensure that the full Council is kept sufficiently informed to enable it to approve the Council's risk management Policy and Framework and that proper insurance exists where appropriate.
- 2 Consider the effectiveness of the system of risk management arrangements
- 3 Consider an annual report and quarterly reports with respect to risk management including, an opinion on the adequacy and effectiveness of the Council's risk management, any corporately significant issues arising, and receive assurance that action has been taken as necessary.
- 4 Receive assurances that action is being taken on risk related issues identified by both internal and external auditors and other inspectors.
- 5 Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk.
- 6 Report annually to full Council as per the Financial Regulations.

D Anti-Fraud and Corruption and Whistleblowing

- 1 Provide proactive leadership and direction on Anti-Fraud and Corruption and champion Anti-Fraud and Corruption throughout the council.
- 2 Consider the effectiveness of the Council's anti-fraud and corruption and Whistleblowing arrangements.
- 3 Consider an annual report and other such reports, including an annual plan on activity with respect to Anti-Fraud and Corruption performance and receive assurances that action is being taken where necessary

E Annual Statement of Accounts

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

F External Audit

- 1 Consider reports of external audit and other inspection agencies

- 2 Ensure there are effective relationships between external audit and internal audit
- 3 Consider the scope and fees of the external auditors for audit, inspection and other work.

G Norfolk Pension Fund

- 1 Following presentation to the Pensions Committee and with due regard to any comments and observations made, consider the relevant Governance reports of the Norfolk Pension Fund.

H Treasury Management

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

I Administration

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

Decision making report title:	Risk Management
Date of meeting:	22nd April 2021
Responsible Cabinet Member:	N/A
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services
Is this a key decision?	No
<p>Executive Summary</p> <p>This report references the corporate risk register as it stands in April 2021, following the latest review conducted during March 2020.</p> <p>A summary of significant changes to corporate risks since they were last issued to this Committee has been included in Appendix A for information purposes. The latest corporate risk heat map for the generic corporate risk register is included in Appendix B providing a visual summary of corporate risks. Full details of the current generic corporate risks are included in Appendix C, including further explanation on risk scoring.</p> <p>Risk management continues to play an active role in the Council’s response to the ongoing COVID-19 pandemic.</p> <p>Recommendations</p> <p style="padding-left: 40px;">To consider and agree;</p> <ol style="list-style-type: none"> a. The key messages as per section 2.1 of this report b. The key changes to the generic 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) 	

1. Background and Purpose

- 1.1 One of the Audit Committee's roles is to consider the Council's risk management. Assurance on the effectiveness of risk management and the corporate risk register as a tool for managing the biggest risks that the Council faces, helps the Committee undertake some of its key responsibilities. Risk management contributes to achieving corporate objectives and is a key part of the performance management framework.
- 1.2 The risk reviewers have reviewed and updated the risks where there have been changes to note since the last report was issued in January 2021, and these have been agreed by the risk owners (for the most part Executive Directors), Corporate Board, and at time of writing are being reported to Cabinet on 12th April 2021.

2. Proposals

The key corporate risk messages are as follows:

- That corporate risk management continues to be sound and effective, working to best practice, and is supporting the Council's recovery from the pandemic.
- The review of corporate risks has taken place with risk owners, and reviewers, and Corporate Board as a group.
- It is proposed to decrease the current score of risk RM032a – Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery) from 20 to 16 (impact lowered from 5 to 4).
- It is proposed to decrease the score for RM004 - The potential risk of failure to deliver effective and robust contract management for commissioned services from 9 to 6 (likelihood lowered from 3 to 2) following completion of the current timed mitigations.
- With the Council's budget for 2021/22 now agreed and set, the risk score for risk RM002 - The potential risk of failure to manage significant reductions in local and national income streams decreased to meet its' target score of 8 by the end of the last financial year 2020/21. The risk score has reverted to 12 whilst the Council works through the financial implications of 2021/22, working towards setting and agreeing a budget for 2022/23 next February.
- Target dates set for the end of the financial year 2020/21 have been revised to be forward facing.

Further details on the changes listed above can be found in **Appendix A**.

3. Impact of the Proposal

- Risk management plays a key role in managing performance and is a requirement in the Accounts and Audit Regulations 2015. Sound risk management helps ensure that objectives are fulfilled, that resources and assets are protected and used effectively and efficiently. The responsibilities for risk management are set out in the Financial Regulations, which are part of the Council's Constitution.

4. Evidence and Reasons for Decision

Not applicable as no decision is being taken.

5. Alternative Options

There are no alternatives identified.

6. Financial Implications

- With the COVID-19 pandemic there will be major financial implications to consider. Whilst all corporate risks will have varying degrees of financial implication associated with them, the key generic risks with a financial consideration are RM002, RM006, RM023, RM031, and RM032a.

7. Resource Implications

- **Staff:** The risk of COVID-19 negatively impacting on staff can be seen within risk **RM032a - Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery)**. There are also staffing resource implications to consider as part of risk **RM029 - NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term**. With the implications of COVID-19 on the economy, there continue to be signs that NCC is attracting more candidates as the public sector is seen as a more secure employer. This will continue to be closely monitored in the months ahead.
- **Property:** Risk assessments will be carried out by the Health, Safety, and Wellbeing team at sites where services are preparing to be restarted following the third national lockdown, to ensure that it is appropriate to reopen with

adapted measures, ensuring that the Council follows advice with regards to social distancing. The Health, Safety and Wellbeing team continue to work closely with services that would normally deliver a face to face offering to the public.

- **IT:** The Council's Information Management Technology team are continuing to closely monitor cyber security threat levels, and continue to roll out the technology advances that are helping Members and officers to carry out their duties effectively.

8. **Other Implications**

Legal Implications

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

Human Rights implications

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

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

None applicable.

Health and Safety implications (where appropriate)

There are health and safety risk implications as set out in the corporate risk **RM028 - Risk of any failure to monitor and manage health and safety standards of third party providers of services**. This risk captures the support from the Health and Safety team to departments running services involving third parties, to ensure that health and safety standards of third party providers meet the expectations set of them within the partnership.

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. Any sustainability risks identified as part of the Council's [Environmental Policy](#) (page 58) will be recorded and reported appropriately.

Any other implications

There are no other risk implications to consider within this report.

9. Risk Implications/Assessment

The risk implications are set out in the report above, and within the risks themselves at **Appendix C**.

10. Select Committee comments

There are no recent Select Committee comments to note within this report.

11. Recommendations

To consider and agree:

- The key messages as per section 2.1 of this report
- The key changes to the generic corporate risk register (**Appendix A**),
- The corporate risk heat map (**Appendix B**)
- The latest generic corporate risks (**Appendix C**);
- Scrutiny options for managing corporate risks (**Appendix D**)
- Background Information (**Appendix E**)

12. Background Papers

There are no further background papers to note, other than those already linked within the body of the report.

Officer Contact

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Key Changes to Corporate Risks

The quarterly review of the corporate risk register has generated changes. These are captured below as follows;

Risk Number	Risk Score Change	Risk title Change	Risk Description Change	Mitigations Change	Risk Owner Change	New Corporate Risk
RM001						
RM002						
RM003a			✓			
RM003b						
RM004	✓					
RM006						
RM010						
RM013						
RM022a						
RM022b		✓				
RM023						
RM024						
RM026						
RM027						
RM028						
RM029						
RM030						
RM031						
RM032a	✓					

Proposed Risk Score Changes

RM032a - Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery)

It is proposed to decrease the current score of risk RM032 – Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery) from 20 to 16 (impact lowered from 5 to 4). With the continuation of the Council's resilience to effectively manage the impact of COVID-19 throughout the winter period, the overall impact on business continuity is now lower, with the Council moving towards recovery, however it is important to note that the overall impact still remains high. The scope of the risk will be further reviewed considering further government announcements and developments in the coming months ahead.

RM004 - The potential risk of failure to deliver effective and robust contract management for commissioned services.

It is proposed to decrease the score for RM004 - The potential risk of failure to deliver effective and robust contract management for commissioned services from 9 to 6 (likelihood lowered from 3 to 2). This follows completion of the current timed mitigations.

Risk Title Change

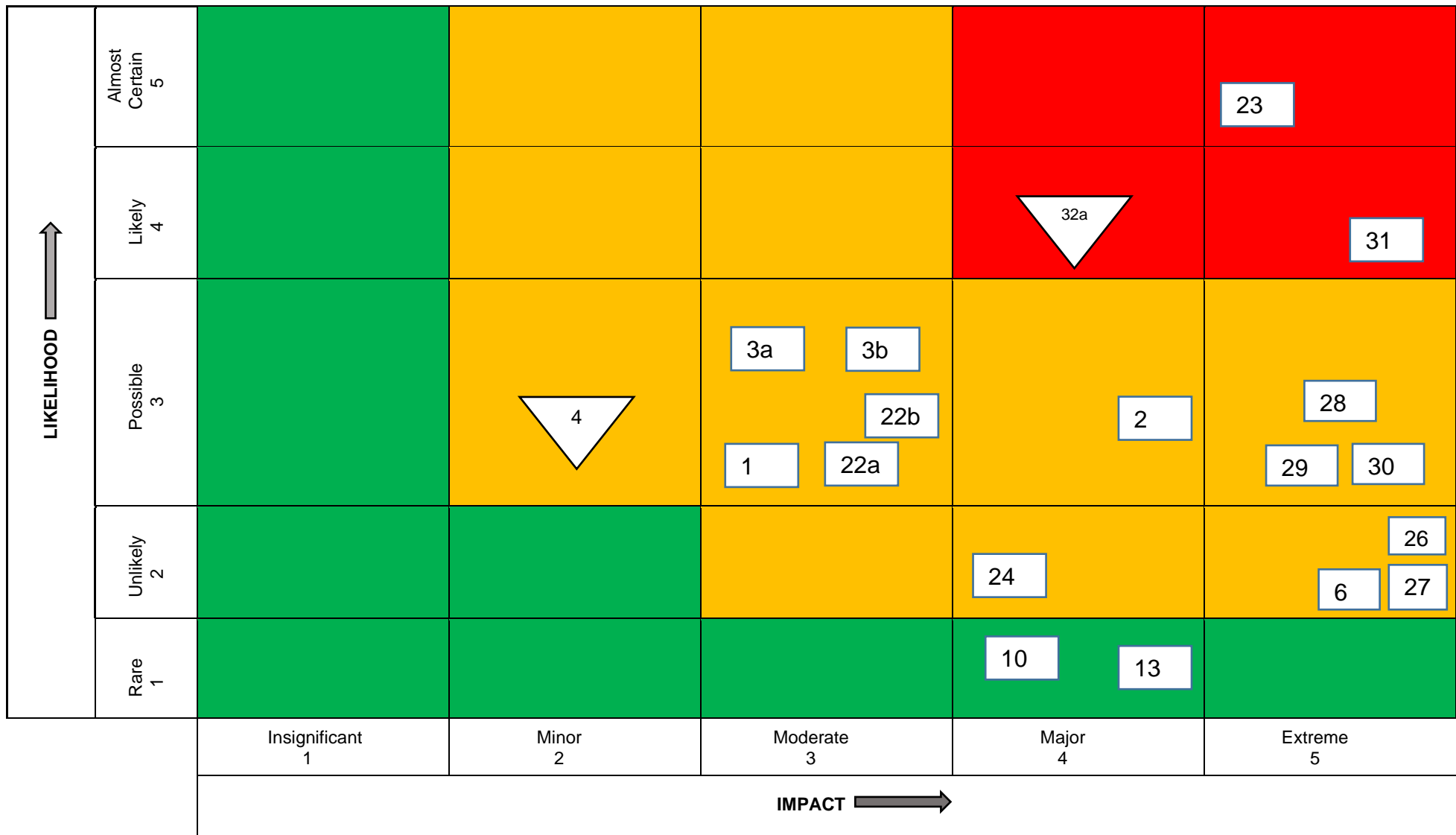
RM022b - Implications of Brexit for a) external funding and b) Norfolk businesses

The risk title has been amended to separate out the different implications for external funding, and Norfolk businesses.

Target date changes

Target dates for the end of the financial year 2020/21 have been revised to future facing dates.

Generic Corporate Risks - Heat Map



Key = Risk score increase = no score change = risk score decrease

No.	Risk description	No.	Risk Description
RM001	Not realising infrastructure funding requirements to achieve the infrastructure ambition of the Business Plan.	RM022a	Implications of Brexit for Council staff and services
RM002	The potential risk of failure to manage significant reductions in local and national income streams.	RM022b	Implications of Brexit for a) external funding and b) Norfolk businesses
RM003a	Potential for failure to comply with statutory information compliance requirements.	RM023	Lack of clarity on sustainable long-term funding approach for adult social services at a time of increasing demographic pressures and growing complexity of need.
RM003b	Potential for failure to comply with relevant information security requirements	RM024	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction to be completed early 2023).
RM004	The potential risk of failure to deliver effective and robust contract management for commissioned services.	RM026	Legal challenge to procurement exercise.
RM006	The potential risk of failure to deliver our services within the resources available for the period 2018/19 to the end of 2020/21.	RM027	Risk of failure of new Human Resources and Finance system implementation.
RM010	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.	RM028	Risk of failure to monitor and manage health and safety standards of third-party providers of services.
RM013	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions	RM029	NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term.
		RM030	Non-realisation of Children's Services Transformation change and expected benefits.
		RM031	NCC Funded Children's Services Overspend
		RM032a	Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery)

Risk Number	RM001		Date of update		02 March 2021					
Risk Name	Not realising infrastructure funding requirements to achieve the infrastructure ambition of the Business Plan									
Portfolio lead	Cllr. Martin Wilby		Risk Owner		Tom McCabe					
Risk Description			Date entered on risk register		03 June 2019					
1) Not securing sufficient funding to deliver all the required infrastructure for existing needs and planned growth leading to: • Congestion, delay and unreliable journey times on the transport network • A lack of the essential facilities that create attractive conditions for business activity and investment, and sustainable communities, including good connectivity, public transport, walking and cycling routes, open space and green infrastructure, and funding for the infrastructure necessary to enable the county council to perform its statutory responsibilities, eg education. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	9	3	3	9	3	2	6	Mar-22	Amber
Tasks to mitigate the risk										
<p>1.1) Work with other county council officers and partners including government, local enterprise partnerships and district councils to compile evidence and the case for investment into infrastructure in order to achieve success through bidding rounds for capital investment.</p> <p>1.2) Identify and secure funding including Pooled Business Rates (PBR) to develop projects to a point where successful bids can be made for funding through compiling evidence and cases for investment.</p> <p>1.3) Engage with providers of national infrastructure – Highways England for strategic (trunk) roads and Network Rail for rail delivery – to ensure timely delivery of infrastructure projects, and work with partners on advocacy and lobbying with government to secure future investment into the networks.</p> <p>1.4) Review Planning Obligations Standards annually to ensure the county council is able to seek and secure the maximum possible contribution from developers.</p> <p>1.5) Continue to build the relationship with strategic partners including elected representatives, government departments, local enterprise partnerships, regional bodies such as Transport East (the emerging Sub-National Transport Body) and other local authorities to maximise opportunity and work together in the most effective joined-up manner.</p> <p>1.6) Periodically review timescales for S106, and other, funding contributions to ensure they are spent before the end date and take action as required. Periodic reviews for transport contributions and an annual review process for library and education contributions.</p>										
Progress update										

Progress update

Overall: Impact of Covid-19 likely to affect funding streams in both the short and longer-term.

Government announcement 21 October on one year spending review potentially provides opportunity for new announcements, but likely to lead to overall delay in long-term funding decisions. Still awaiting LTP funding settlement details for 2021/22

1.1) March Cabinet will be asked to approve NWL OBC and appoint Design and Build contractor. OBC will then be submitted to DfT. City Council withdrew their support for NWL on 20 January 2021. Liaison with city council being picked up to resolve, including on TfN strategy. OBC for Long Stratton Bypass submitted to DfT 15 Jan 2021. West Winch Housing Access Road Strategic OBC to go to Cabinet March 2021 prior to DfT submission. Work continues on scheme development at A47/A14 Pullover Junction King's Lynn. Positive funding decision received from DfT for Transforming Cities funding (£32m). Now in delivery phase. Gt Yarmouth Third River Crossing: Works started on 4 January 2021 as planned. Transport East will be asked to confirm their support, and write letters of endorsement for business case submissions at Forum meeting 24 Feb..

1.2) Funding secured from PBR for development of Norwich Western Link; West Winch Housing Access Relief Road (see 1.1). £1.5m received for Phase 2 Emergency Active Travel Fund from DfT (now known as Active Travel Fund). Delivery phase now commenced.

1.3) October A47 Alliance meeting agreed refreshed advocacy work up to 2021 spending review. Officers met DfT and Highways England 27 January 2021 to discuss closer working on future programmes. Continuing work on Great Eastern Main Line (Norwich to London rail): Network Rail need to do further work on business case for infrastructure improvements, which will delay moving to next stage, although should not affect overall project programme. Local authorities' study on wider economic benefits complete. Continuing to work on Ely Task Force: Consultation undertaken by Network Rail on infrastructure improvements required to unlock a range of additional passenger and freight services showed public support. Continuing to support East West Rail Consortium: Eastern Section prospectus published. Pre-SOBC work underway on Eastern Section.

1.4) Government review of planning system (consultation) published in August. County Council proposed response agreed at October Cabinet and submitted.

1.5) Continuing to work with Transport East on transport strategy and Interim Investment Plan; liaising with DfT, Network Rail and Highways England on strategic road and rail schemes; attending wider partnership groups including LEP Transport Board.

1.6) Continuing to update new systems to ensure monitoring is effective and up to date.

Risk Number	RM002		Date of update		26 February 2021					
Risk Name	The potential risk of failure to manage significant reductions in local and national income streams									
Portfolio lead	Cllr. Andrew Jamieson			Risk Owner	Simon George					
Risk Description			Date entered on risk register		31 May 2019					
This may arise from global or local economic circumstances (i.e. Brexit), government policy on public sector budgets and funding. As a result there is a risk that the Medium Term Financial Strategy savings required for 2020/21 - 2024/25 are not delivered because of uncertainty as to the scale of savings resulting in significant budget overspends, unsustainable drawing on reserves, and severe emergency savings measures needing to be taken. The financial implications are set out in the Council's Budget Book, available on the Council's website. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	12	3	4	12	2	4	8	Mar-22	Amber
Tasks to mitigate the risk										
<p>Medium Term Financial Strategy and robust budget setting within available resources. No surprises through effective budget management for both revenue and capital. Budget owners accountable for managing within set resources. Determine and prioritise commissioning outcomes against available resources and delivery of value for money. Regular and robust monitoring and tracking of in-year budget savings by Corporate Board and members. Regular finance monitoring reports to Cabinet. Close monitoring of central government grant terms and conditions to ensure that these are met to receive grants. Plans to be adjusted accordingly once the most up to date data has been received.</p>										
Progress update										
<p>County Council on 21.02.21 approved the 2021-22 budget and future Medium Term Financial Strategy 2021-25 taking into account the Final Local Government Finance settlement for 2021-22. The risk target score for 31 March 2021 has been met. The council's external auditors gave an unqualified audit opinion on the 2019-20 Statement of Accounts and were satisfied that the County Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31.03.2020. The implications of the COVID-19 response, coupled with continued uncertainty and the further delay of the significant planned reforms for local government finance, represents a major challenge for the Council in developing its Medium term Financial Strategy. Further reports will be presented to Cabinet during the year incorporating future Government funding announcements and updates on the budget planning process in order that County Council can agree the 2022-23 Budget and level of council tax at its February 2022 meeting.</p>										

Risk Number	RM003a		Date of update		11 February 2021					
Risk Name	Failure to comply with statutory information compliance requirements									
Portfolio lead	Cllr. Andrew Proctor			Risk Owner		Andrew Stewart				
Risk Description			Date entered on risk register		05 June 2019					
There is a risk of failing to comply with statutory information compliance requirements (e.g. under GDPR, FOI, EIR) which could lead to reputational damage and financial impact from any fines or compensation sought.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	3	12	3	3	9	2	3	6	Sep-21	Green
Tasks to mitigate the risk										
<ol style="list-style-type: none"> 1. Mandatory Training in place for all colleagues - ongoing 2. Development and monitoring of MI for responding to Data Subject Rights Requests, FOIs, EIRs and breaches - ongoing 3. Developing a positive relationship with the ICO - ongoing 4. Implementation of activities determined by the SOCITM report in March 2020 by December 2020 <ul style="list-style-type: none"> •Deliverable 1: Define a clear Information Governance approach for Norfolk County Council (incorporating clear responsibilities and measures of success) •Deliverable 2: Deliver a management information suite to allow effective management, analysis and assurance of the Information Governance Service •Deliverable 3: Review all current “record management” type processes to ensure efficient, proportionate and up to date •Deliverable 4: Appoint to all roles required (including DPO, SIRO and Member lead) and ensure reflected in the constitution •Deliverable 5: Relaunch the Information Compliance Group with clear accountabilities •Deliverable 6: Review and update all Information Governance related policies, standards and procedures •Deliverable 7: Define and deliver effective Information Governance training and engagement across NCC, Members and Partners •Deliverable 8: Review and deliver identified opportunities for Smarter Working •Deliverable 9: Define a clear future vision for the Information Governance Service and resource appropriately 										
Progress update										

Progress update

Head of Information Governance appointed to take forward the SOCITM recommendations and embedding the information governance agenda in NCC. This will enhance many of the mitigations to a higher standard, reducing the risk further over the next two years.

- IG Framework created and due to be published alongside revised policies and procedures on myNet alongside mandatory e-learning on Information Governance (including Data Protection) was launched in December 2020.
 - Basic MI now in place and being further developed to give the full picture of performance and compliance across Information Governance remit
 - All recruitment finalised in October 2020 to enable focus on both backlog and ongoing statutory and non statutory Information related activities (e.g. DSR, EIR, FOI, Police, breaches) with good progress already being made
 - All key IG roles in place including separation of DPO / SIRO roles
 - Information Compliance Group relaunched in November 2020 as the Information Governance Group, along with a new Information Governance Steering Group to provide effective escalation and oversight
 - Smarter working opportunities progressing with a new online FOI/ EIR request form being delivered in October 2020
 - Future vision being evolved and discussions underway to ensure 2021/22 budget is able to cover the current remit.
 - Focus on improved storage and retention to reduce risk -
- Risk score of 9 remains until all issues identified in SOCITM report that need addressing to reduce the likelihood of the risk manifesting. The impact should anything happen would likely result in local or national media attention, depending on the severity of the issue.

Risk Number	RM003b		Date of update		03 March 2021					
Risk Name	Failure to comply with relevant information security requirements									
Portfolio lead	Cllr. Tom Fitzpatrick			Risk Owner	Geoff Connell					
Risk Description			Date entered on risk register		05 June 2019					
There is a risk of failing to comply with relevant information security requirements (e.g. NIS, PSN, PCI-DSS) which could lead to reputational damage and financial impact.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	3	12	3	3	9	1	3	3	Sep-21	Green
Tasks to mitigate the risk										
<ol style="list-style-type: none"> 1. Mandatory Training in place for all colleagues - ongoing 2. Development and monitoring of MI for breaches - ongoing 3. Implementation of improved security measures - ongoing 4. External networking to ensure best practice - ongoing 										
Progress update										
<ul style="list-style-type: none"> - Rollout of new Mandatory training to all colleagues - Implementation of improved security measures e.g. E5 Licencing - Involvement with National cybersecurity organisation - Extensive communications to NCC staff on remaining vigilant against cyber-attacks - Increased take up of IT training; - A simulated phishing exercise, carried out to understand where weaknesses remain; - Roll-out of Safe Links and Safe Attachments technology, which screens MS Office attachments and links before being opened; - Anti-spoofing technology software being introduced. <p>Risk score of 9 at present due to improved measures that have been implemented but acknowledgment that further activities would reduce the risk further, with a number of new challenges in a COVID landscape. The impact should anything happen would likely result in local or national media attention, depending on the severity of the issue.</p>										

Risk Number	RM004		Date of update		03 March 2021					
Risk Name	The potential risk of failure to deliver effective and robust contract management for commissioned services.									
Portfolio lead	Cllr. Andrew Jamieson		Risk Owner		Simon George					
Risk Description			Date entered on risk register		02 June 2019					
Ineffective contract management leads to wasted expenditure, poor quality, unanticipated supplier default or contractual or legal disputes. The council spends some £700m on contracted goods and services each year. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	4	12	2	3	6	2	3	6	Mar-22	Met
Tasks to mitigate the risk										
<p>1) By October 2019 implement a proactive system to identify early signs of potential supplier financial failure and respond appropriately. Next steps: - Develop robust process to respond to CreditSafe alerts</p> <p>2) Continue to report the pipeline of expiring contracts to Corporate Board every six months. Continue to discuss the pipeline of expiring contracts with CES DMT every quarter. Next steps: - Start to discuss the pipeline of expiring contracts with other departmental management teams or individual senior managers</p> <p>3) Through the contract compliance and optimisation workstream of the Smarter Workstream priority under the Norfolk Futures programme, implement measures to ensure that staff who have contract management as part of their job have the relevant skills and support to manage contracts effectively. Next steps: Implement phased plan as agreed at corporate board 3 December 2019</p> <p>4) Develop a standard specification for service transition that can be used as the basis for new sourcing exercises and used to manage transitions effectively by end June 2019</p> <p>5) Internal audit undertaking audits of the contract management control environment in the three service directorates.</p>										
Progress update										
<p>1) Process developed with finance to respond to CreditSafe alerts. Complete</p> <p>2) Pipeline reporting frequency at Corporate Board increased to quarterly and process is in place for monthly review by Director of Procurement and Executive Director of Finance. Procurement staff review monthly and make sure plans are in place with departments. Complete</p> <p>3) Contract compliance and optimisation workstream plan was approved at Corporate Board in December 2019 and phased implementation was under way, prior to COVID-19. Implementation of phased plan paused whilst efforts are focussed on the COVID-19 response.</p> <p>4) Transition/handover checklist developed and in use. Complete.</p> <p>5) Internal Audit have completed an audit of the senior management monitoring of significant contracts. Complete</p>										

Risk Number	RM006		Date of update	04 March 2021						
Risk Name	The potential risk of failure to deliver our services within the resources available for the period 2021/22 to the end of 2023/24.									
Portfolio lead	Cllr. Andrew Proctor		Risk Owner	Tom McCabe						
Risk Description			Date entered on risk register	13 June 2019						
The failure to deliver agreed savings or to deliver our services within the resources available, resulting in the risk of legal challenge and overspends, requiring the need for in year spending decisions during the life of the plan, to the detriment of local communities and vulnerable service users. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	10	2	5	10	1	5	5	Mar-22	Green
Tasks to mitigate the risk										
<p>1) Clear robust framework, 'Together for Norfolk - Business Plan' in place which drives the delivery of the overall vision and priority outcomes. The delivery of a council-wide strategy which seeks to shift focus to early help and prevention, and to managing demand.</p> <p>2) Delivery against the strategic service and financial planning, by translating the vision and priorities into achieved, delivered targets.</p> <p>3) A robust annual process to provide evidence for Members to make decisions about spending priorities.</p> <p>4) Regular and robust in-year financial monitoring to track delivery of savings and manage in-year pressures.</p> <p>5) Sound engagement and consultation with stakeholders and the public around service delivery.</p> <p>6) A performance management and risk system which ensures resources are used to best effect, and that the Council delivers against its objectives and targets.</p>										
Progress update										
<p>Regular budget and performance monitoring reports to Cabinet will continue to demonstrate how the Council is delivering against the 2021/22 budgets and priorities set for each of our services. The Council has a robust and established process, including regular reporting to Members, which is closely linked to the wider Council Strategy, in order to support the development of future year budget plans taking account of the latest available information about Government funding levels and other pressures. This process includes reviewing service budgets and taking into account financial performance and issues arising in the current financial year as detailed in the budget monitoring reports. There is financial monitoring of in-year cost to address the impact of COVID-19 within departments, with monitoring of 2021-22 spend to be reported to Cabinet on a monthly basis and monitoring of COVID-19 spend reported to Corporate Board regularly. Financial forecasting is taking place to further understand where there are likely to be areas of greater financial challenges as a result of COVID-19 beyond 2021/22. There will be an updated MTFs position reported to Cabinet within the year, savings proposals published for consultation in October, budget setting meeting of Full Council in February 2022, and monitoring reports taken to Cabinet in 2021/22. Work is being carried out by Departmental Leadership Teams, the Recovery Group and the Business Transformation Programme on future savings required. Savings proposals will be presented again for Member review and then taken to Cabinet.</p>										

Risk Number	RM010		Date of update		03 March 2021					
Risk Name	The risk of the loss of key ICT systems including: - internet connection; - telephony; - communications with cloud-provided services; or - the Windows and Solaris hosting platforms.									
Portfolio lead	Cllr. Tom Fitzpatrick			Risk Owner	Simon George					
Risk Description				Date entered on risk register	01 July 2019					
Loss of core / key ICT systems, communications or utilities for a significant period - as a result of a cyber attack, loss of power, physical failure, fire or flood, or supplier failure - would result in a failure to deliver IT based services leading to disruption to critical service delivery, a loss of reputation, and additional costs. Overall risk treatment: Treat.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	3	6	1	4	4	1	3	3	Sep-21	Green
Tasks to mitigate the risk										
<ol style="list-style-type: none"> 1) Full power down completed periodically 2) Replace ageing Local Area Network (LAN) equipment 3) Implement Cloud-based business systems with resilient links for key areas 4) Review and Implement suitable arrangements to protect against possible cyber / ransomware attacks including; 5) Running a number of Cyber Attack exercises with senior stakeholders to reduce the risk of taking the wrong action in the event of a cyber attack 6) We will hold a number of Business Continuity exercises to understand and reduce the impact of risk scenarios 										
Progress update										

Progress update

- 1) Full power down completed as required by Property programme plans
- 2) New Local Area Network equipment has been procured and we are now implementing with County Hall.
- 3) We Implement Cloud-based business systems with resilient links for key areas as they are procured, guidance is being refreshed regularly.
- 4) We have now completed the cyber audit actions.
- 5) We have delivered a Cyber Attack exercise with senior stakeholders to reduce the risk of taking the wrong action in the event of a cyber attack. We are scheduling a National Cyber Security Centre (NCSC) 'Exercise in a box' session for IMT to test our approach during a cyber attack and we will follow this up with a NCSC 'Exercise in a box' exercise for the business leads, resilience team and IMT to jointly rehearse a cyber attack. IMT and the resilience team will be presenting a number of scenarios selected by the business to the silver group to test, understand and challenge a number of key disaster scenarios to inform the business continuity plans and highlight any further improvements we can make.
- 6) We have already held a Business Continuity exercise to understand and reduce the impact of risk scenarios and this will be re-run within 12 months to further reduce the risk. Since COVID-19 has resulted in the majority of the workforce working from home, the network has been able to cope effectively with a vastly increased number of users working remotely. Exercise Steel will build on the work of Exercise Horseshoe.

The score is based upon steady progress mitigating the risks and running exercises to rehearse what we do in the event of a failure.

Risk Number	RM013		Date of update		04 March 2021					
Risk Name	The potential risk of failure of the governance protocols for entities controlled by the Council, either their internal governance or the Council's governance as owner. The failure of entities controlled by the Council to follow relevant guidance or share the Council's ambitions.									
Portfolio lead	Cllr. Greg Peck		Risk Owner		Simon George					
Risk Description			Date entered on risk register		02 July 2019					
The failure of governance leading to controlled entities: Non Compliance with relevant laws (Companies Act or other) Incurring Significant Losses or losing asset value Taking reputational damage from service failures Being mis-aligned with the goals of the Council The financial implications are described in the Council's Annual Statement of Accounts 2019-20. Overall risk treatment: Treat This risk is scored at a likelihood of 1 due to the strong governance in place and an impact score of 4 given the size of the controlled companies.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
1	4	4	1	4	4	1	4	4	Mar-22	Met
Tasks to mitigate the risk										
<p>1) All controlled entities and subsidiary companies have a system of governance which is the responsibility of their Board of Directors. The Council needs to ensure that it has given clear direction of it's policy, ambitions and expectations of the controlled entities. The NORSE Group objectives are for Business Growth and Diversification of business to spread risks. Risks need to be recorded on the Group's risk register.</p> <p>2) The NORSE board includes a Council Member and is currently chaired by the Executive Director of Strategy and Governance for the Council. There is a shareholder committee comprised of six Members. The shareholder committee should meet quarterly and monitor the performance of NORSE. A member of the shareholder board, the shareholder representative, should also attend the NORSE board.</p> <p>3) The Council holds control of the Group of Companies by way of its shareholding, restrictions in the NORSE articles of association and the voting rights of the Directors. The mission, vision and value statements of the individual NORSE companies should be reviewed regularly and included in the annual business plan approved by the Board. NORSE should have its own Memorandum and Articles of Association outlining its powers and procedures, as well as an overarching agreement with the Council which outlines the controls that the Council exercises over NORSE and the actions which require prior approval of the Council.</p> <p>4) To ensure that governance procedures are being discharged appropriately to Independence Matters. The Executive Director for Finance and Commercial Services' representative attends as shareholder representative for Independence Matters.</p> <p>5) Approve the Outline Business Case for Repton Property Developments Ltd.</p> <p>6) Shareholder representation required from the Executive Director of Finance and Commercial Services on both the Norse, and Repton Boards.</p>										
Progress update										

Progress update

- 1) There are regular Board meetings, share holder meetings and reporting as required. For NORSE, risks are recorded on the NORSE group risk register.
- 2) The Norse Group follows the guidance issued by the Institute of Directors for Unlisted Companies where appropriate for a wholly owned LA company. The shareholder committee meets quarterly and monitors the performance of Norse. A member of the shareholder board, the shareholder representative, also attends the Norse board.
- 3) The Council has reviewed its framework of controls to ensure it is meeting its Teckal requirements in terms of governance and control, and a series of actions has been agreed by the then Policy and Resources Committee. The Executive Director of Finance and Commercial Services is responsible for reviewing the ongoing viability of wholly owned entities and regularly reporting the performance of their activities, with a view to ensuring that the County Council's interests are being protected. All County Council subsidiary limited company Directors have been approved in accordance with the Constitution. The new Chairman of Norse has initiated change with one Director looking after NCS and NPS, with a view to maximising returns back to NCC. A further strengthening of the Board is proposed with the appointment of two independent Non-Executive Directors with one vote each. As with Repton the appointments would be made through a transparent process of advertisement, interview and appointment.
- 4) The ED of F&CS directs external governance. An external company is undertaking a review of Norse Group's financial performance, discharging the Executive Director for Finance and Commercial Services' responsibility as per the Constitution.
- 5) The Outline Business Case for Repton Property Developments Ltd has been approved.
- 6) There is Shareholder representation from the Executive Director of Finance and Commercial Services on both the Norse, and Repton Boards.

Risk Number	RM022a		Date of update		04 March 2021					
Risk Name	Implications of Brexit for Council staff and services									
Portfolio lead	Cllr. Andrew Proctor			Risk Owner		Tom McCabe				
Risk Description			Date entered on risk register		28 August 2020					
<p>There are important risk implications to the Council in the following areas: The legal base – legal implications need to be considered and statutory changes applied. Council services dependent on a migrant workforce – for example nationally, 7% of existing adult social care staff come from other EU nations. There is a risk that initially, implications for Norfolk County Council of the UK leaving the EU are not known or understood, causing uncertainty in Council business, planning, and service delivery.</p>										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	9	3	3	9	2	3	6	Sep-21	Amber
Tasks to mitigate the risk										
<p>1) Human Resources to support managers and staff who may be directly affected by this issue. 2) Understand the risks and implications of Brexit to service delivery, wider community and business continuity. This includes managing particular risks around the supply of food and fuel, to enable us to support vulnerable people.</p>										
Progress update										
<p>1) Potential loss of staff for NCC and our service providers was looked at in Feb '19 & is under constant review. Signposting to HM Govt websites was undertaken and correspondence sent to service providers. Most recent update:</p> <ul style="list-style-type: none"> - Keeping HR Direct up to date with developments to advise staff - Refreshing employee information on peoplenet - Undertook exercise to refresh employee data on nationality status - Provided information to key stakeholders within social care on the pilot - Surveyed Heads of Services/Departments regarding impacts <p>2) There has been a transition period until the end of 2020, whilst the UK and EU negotiated additional arrangements. Trade deal talks between the UK and the EU have concluded with a deal struck. The implications of the deal for Norfolk County Council are being worked through.</p>										

Risk Number	RM022b		Date of update		02 March 2021					
Risk Name	Implications of Brexit for a) external funding and b) Norfolk businesses									
Portfolio lead	Cllr. Graham Plant			Risk Owner		Tom McCabe				
Risk Description			Date entered on risk register		28 August 2020					
a) Departmental Risk RM14429 covers the closedown of the France (Channel) England INTERREG programme, managed by NCC. In terms of future external funding, we need to make a compelling case to Government for investment in Norfolk from the UK Shared Prosperity Fund, which replaces EU funding. b) Now we have left the EU, we need to understand the implications for Norfolk businesses of the Territorial Cooperation Agreement and work with partners to support Norfolk businesses to trade.										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	3	9	3	3	9	2	3	6	Sep-21	Amber
Tasks to mitigate the risk										
a) Development of Norfolk Investment Framework to target the UK Shared Prosperity Fund (replacement for EU funding).										
b) Focussed support for business, in conjunction with LEP and Chamber of Commerce.										
Progress update										
a) Norfolk investment priorities being developed, in light of early guidance in the Autumn Statement 2020. Initial £220m for 21-22 targeted at 'places most in need across the UK, such as ex-industrial areas, deprived towns and rural and coastal communities, focussing on investment in people, communities and place and local business'. Further guidance to be set out in 'UK-wide investment framework' due in Spring 2021. Early thoughts on Norfolk's investment priorities being shared with Norfolk MPs 12 February.										
b) LEP Resilience Manager collates intelligence for Government on issues affecting business (eg and updates the weekly Norfolk Economy Cell meeting of county, district and LEP officers. Signposting to support available from Government, Chamber and Growth Hub on NCC and partner websites. Work planned to understand the opportunities of Brexit for firms to increase trade with non-EU countries.										

Risk Number	RM023		Date of update		01 March 2021					
Risk Name	Failure to respond to changes to demography, funding, and government policy, with particular regard to Adults Services.									
Portfolio lead	Cllr. Bill Borrett			Risk Owner	James Bullion					
Risk Description			Date entered on risk register		18 August 2017					
Whilst acknowledging the pressures on adult social services, and providing some one-off additional funding, the Government has yet to set out a direction of travel for long-term funding. At the same time, the pressures of demography and complexity of need continue to increase. This makes effective strategic planning highly challenging and there is a risk that short-term reductions in support services have to be made to keep within budget; these changes are likely to be counter to the long-term Promoting Independence strategy. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
5	5	25	5	5	25	2	4	8	Mar-22	Amber
Tasks to mitigate the risk										
<p>1) Implementation of Promoting Independence Strategy. This strategy is shaped by the Care Act with its call to action across public services to prevent, reduce and delay the demand for social care. The strategy aims to ensure that demand is understood and managed, and there is a sustainable model for the future.</p> <p>2) As part of the strategy, a shift of spend towards targeted prevention, reablement services, enablement, and strengthened interim care.</p> <p>3) Implementation of Better Care Fund plans which promote integration with the NHS and protect, sustain and improve the social care system.</p> <p>4) Judicious use of one-off winter funding, as announced by Government.</p> <p>5) Close tracking of government policies, demography trends and forecasts.</p> <p>6) A new set of NCC corporate priorities which aims to address longer-term demand management in children's and adult services.</p>										
Progress update										
<p>1) Detailed work to understand the financial and service impact of COVID for the next financial year and for medium term. Main themes for transformation being reviewed, and priorities for department being shaped. Overall strategy remains sound, but further work to identify the highest priority transformation areas and to track the interdependencies of programmes across the department..</p> <p>2) Market shaping and development - strengthened working relationships; significant financial support for the market, now requires on-going work in partnership with care sector to look at future shape and sustainability.</p> <p>3a) Refreshed preventions strategy required, building on the additional understanding and ways of working experienced throughout the pandemic.</p> <p>3b) Workforce – continues to be hugely challenging within Adult Social Services and in the wider care market. On-going recruitment campaign to sustain levels of</p>										

Progress update

front line social workers and occupational therapy staff. Joint European funded programme with Suffolk to support workforce in the wider care market

3c) Better Care Fund targeted towards supporting people to stay independent, promoting and enabling closer integration and collaboration across health and social care. Better Care Fund currently under review to reflect closer joint aims and objectives between health and social care

4) Close joint working with NHS, through the STP and interim Integrated Care System, to shape and influence future integration of health and social care

5) White Paper on Health and Social Care integration published in February 2021. Does not include proposals for the reform of social care.

6) Collaboration with children's services to develop a preparing for adult life service to strengthen transition experience for young people, and to improve service and budget planning.

Risk Number	RM024		Date of update		02 March 2021					
Risk Name	Failure to construct and deliver the Great Yarmouth 3rd River Crossing (3RC) within agreed budget (£121m), and to agreed timescales (construction to be completed early 2023)									
Portfolio lead	Cllr. Martin Wilby		Risk Owner		Tom McCabe					
Risk Description					Date entered on risk register	14 June 2019				
<p>There is a risk that the 3RC project will not be delivered within budget and to the agreed timescales. Cause: delays during statutory processes put timescales at risk and/or contractor prices increase project costs. Event: The 3RC is completed at a later date and/or greater cost than the agreed budget, placing additional pressure on the NCC contribution. Effect: Failure to construct and deliver the 3RC within budget would result in the shortfall having to be met from other sources. This would impact on other NCC programmes. Overall risk treatment: Treat, with a focus on maintaining or reducing project costs and timescales.</p>										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	4	8	2	4	8	2	3	6	Jan-23	Amber
Tasks to mitigate the risk										
<p>The project was agreed by Full Council (December 2016) as a key priority infrastructure project to be delivered as soon as possible. Since then, March 2017, an outline business case has been submitted to DfT setting out project costs of £120m and a start of work in October 2020. 80% of this project cost has been confirmed by DfT, but this will be a fixed contribution with NCC taking any risk of increased costs. Mitigation measures are:</p> <ol style="list-style-type: none"> 1) Project Board and associated governance to be further developed to ensure clear focus on monitoring cost and programme at monthly meetings. 2) NCC project team to include specialist cost and commercial resource (bought in to the project) to provide scrutiny throughout the scheme development and procurement processes. This will include independent audits and contract/legal advice on key contract risks as necessary. 3) Programme to be developed that shows sufficient details to enable overall timescales to be regularly monitored, challenged and corrected as necessary by the board. 4) Project controls and client team to be developed to ensure systems in place to deliver the project and to develop details to be prepared for any contractual issues to be robustly handled and monitored. 5) All opportunities to be explored through board meetings to reduce risk and programme duration. 6) An internal audit is currently being carried out to provide the Audit Committee and management with independent assurance that the controls in place, to mitigate, or minimise risks relating to pricing in stage 2 of the project to an acceptable level, are adequate and effective and operating in practice. <p>Overall risk treatment: Reduce, with a focus on maintaining or reducing project costs and timescales</p>										
Progress update										

Progress update

The outline business case was submitted on 30 March 2017, and DfT confirmed approval of this following the autumn statement in November 2017. Progress against actions are: 1) Project board in place. Gateway review highlighted a need to assess and amend board attendance and this has been implemented. A gateway review was completed to coincide with the award of contract decision making - the findings have been reported to the project board (there were no significant concerns identified that impact project delivery). Internal audit on governance report finalised 14 August 2019 and findings were rated green. Further gateway review completed summer 2020 ahead of progressing to next stage of contract (construction). 2) Specialist cost and commercial consultants appointed and continue to review project costs. The Commercial Manager will continue to assess the project forecast on a quarterly basis, with monthly interim reporting also provided to the board. No issues highlighted to date and budget remains sufficient. A further budget review was completed following appointment of the contractor. The full business case has been developed and submitted to DfT at end of September 2020 - the project is still at agreed budget. 3) An overall project programme has been developed and is owned and managed by the dedicated project manager.

Any issues are highlighted to the board as the project is delivered. The start of DCO examination was 24 September 2019, with a finish date on 24 March 2020. The approval of the DCO was confirmed on 24 September 2020 (no legal challenge). Construction started on 4 January 2021 as planned. The bridge completion and opening date remains early 2023. 4) Learning from the NDR the experience of commercial specialist support was utilised to develop contract details ahead of the formal commencement of the procurement process. Further work fed into the procurement processes (and competitive dialogue) with the bidders. The commercial team leads were in place from the start of the contract (January 2019) and continue in this role to manage contract administration. 5) The project board receives regular (monthly) updates on project risks, costs and timescales. A detailed cost review was delivered to the board ahead of the award of the contract (following the delegated authority agreed by Full Council), and took into account the contractors tender pricing and associated project risk updates. The project currently remains on budget and the programme to complete the works and open the scheme in early 2023 is still on track.

6) The further internal audit has been concluded and a report circulated. Findings were green with only one minor observation (already actioned).

Risk Number	RM026		Date of update		04 March 2021					
Risk Name	Legal challenge to procurement exercise									
Portfolio lead	Cllr. Andrew Jamieson			Risk Owner	Simon George					
Risk Description			Date entered on risk register		04 June 2019					
That alleged breach of procurement law may result in a court challenge to a procurement exercise that could lead to delay, legal costs, loss of savings, reputational damage and potentially significant compensation Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	10	2	5	10	1	5	5	Dec-21	Green
Tasks to mitigate the risk										
<p>Review processes and practice in light of recent caselaw, in particular Amey Highways Ltd v West Sussex County Council [2019] EWHC 1291 (TCC) and Lancashire Care NHS Foundation Trust & Anor v Lancashire County Council [2018] EWHC 200 (TCC).</p> <ol style="list-style-type: none"> 1) At team meeting w/c 10 June 2019, remind procurement staff of need to escalate any proposal to run a procurement exercise in an unreasonably short timescale 2) Take pipeline to corporate board every six months and to directorate management teams quarterly to minimise risk of rushed procurement exercises. 3) Seek corporate board sign-off for new approach with consistently adequate timelines, fewer evaluators and greater control over choice of evaluator 4) Review scale of procurement exercises, avoid unnecessarily large exercises that increase risk and complexity and the scale of any damages claim. 5) Make incremental change to instructions to evaluators and approach to scoring and documenting rationale, and test on tender NCCT41801 in w/c 3 June 2019 6) Review standard scoring grid and test 'offline' on tender NCCT41830 w/c 10 June 2019 7) Review template provisional award letter w/c 17 June 8) Develop standard report to decision-maker w/c 17 June 9) Make more significant changes to instructions to evaluators and pilot new approach on a future tender. 10) Pilot new scoring grid in a future tender 11) Institute formal annual review of sourcing processes in light of developments in case law. Review each December; add to senior staff objectives. <p>Additional tasks identified February 2020:</p> <ol style="list-style-type: none"> 12) Update HotDocs to include definitive versions of new templates - by 31 March 2020 13) Formal sign-off of updated process by Nplaw- by 31 March 2020 14) Further formal training for procurement officers - by 30 April 2020 										
Progress update										

Progress update

- 1) Reminder given at team meeting - complete
- 2) Pipeline report frequency now quarterly. Pipeline being discussed with EDs or senior commissioners before each board - complete
- 3) Corporate board has signed off the new approach - complete
- 4) Ongoing as need to consider each procurement on a case by case basis.
- 5) Evaluator guidance was updated immediately. More significant changes have also now been implemented - see 9. Complete.
- 6) Scoring grid was updated as planned. Complete.
- 7) Template provisional award letter has been reviewed and updated. Complete
- 8) Existing reports have been reviewed and new report is being developed. Complete.
- 9) Evaluator guidance updated and in use as standard. Feedback from evaluators is positive. A new mechanism for capturing feedback on tenders is now in use after extensive piloting.
- 10) Scoring grid has now been updated and is in use as standard. - Complete
- 11) Added to senior staff objectives. Reviewed January 2020; no new issues identified beyond those in this risk 26
- 12) HotDocs templates have been updated. Complete.
- 14) All procurement staff in Sourcing have been trained in the new process and are adhering to it. Complete.

Additional task 13 was paused in the wake of managing the COVID-19 response. However, the Government's Procurement Green Paper is proposing a number of changes to the Public Contract Regulations, which would affect the process. Any changes are likely to be implemented in late 2021 and therefore this task will be put on hold until the impact on the process is understood.

Risk Number	RM027		Date of update		04 March 2021					
Risk Name	Risk of failure of new Human Resources and Finance system implementation									
Portfolio lead	Cllr. Tom FitzPatrick			Risk Owner Diana Dixon						
Risk Description				Date entered on risk register		16 August 2019				
Risk that there is a significant impact to HR and finance services through potential lack of delivery of the new HR & finance system. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	10	2	5	10	2	2	4	Sep-21	Green
Tasks to mitigate the risk										
<p>1) Programme has moved from procurement phase to Implementation as planned</p> <p>2) Rigorous monitoring of risk occurs at Programme level on a weekly basis with significant risks escalated to Programme Board for management. Particular attention is being paid to the risk to the project of being impacted by any Covid-19 resurgence that may affect NCC and / or Implementer teams causing a delay and associated cost. Mitigation of this includes agreement to protect the project team resources such that they remain aligned to the programme (at one stage 50% of team had been moved to C-19 response)</p> <p>3) Programme management team from NCC and Systems Implementer jointly develop plan with formal sign off underpinned by contractual stage payments</p> <p>4) Initial impact of Covid-19 mitigated by the addition of a new transition stage into the plan with delay to implementation held to 1 month</p> <p>5) Programme governance revised to reflect move to Implementation</p> <p>6) Corporate Select Committee continue to oversee the programme</p>										
Progress update										
<p>1) Cabinet via delegated approval to Exec Director S&G (in consultation with ED for FCS, the Leader and Cabinet Member for Innovation, Transformation and Performance) endorsed the award of the contract to Oracle Consulting Services implementing a cloud Oracle solution as planned.</p> <p>2) On-going visibility of the plans via Programme Board, also the Corporate Select Committee continues to offer oversight.</p> <p>3) Strong engagement from HR and Finance into the familiarisation stage of the programme which supports system design decisions</p> <p>4) Eight benefit themes applied to the project from the outset underpin all design discussion / decision, programme board are responsible for delivering against these benefits.</p> <p>5) Governance managed by project board and programme board for project plans and budget.</p> <p>6) Strong management of the familiarisation process by both NCC and the Systems Implementer to ensure remote ways of working are not impacting the quality of the engagement or decision-making</p> <p>7) Robust risk management in place, particularly in respect of C-19 and the potential impact this could have on timescales and costs</p> <p>8) Business impacts being captured as familiarisation with the software solution develops</p> <p>9) The procurement of a change partner with local authority expertise and experience in adopting our software solution has taken place to support business adoption of new ways of working that underpin realisation of savings</p> <p>10) Resource levels are kept under review as the understanding of the future plan matures with pressures around resourcing being managed by Project Board</p>										

Risk Number	RM028		Date of update		23 February 2021					
Risk Name	Risk of any failure to monitor and manage health and safety standards of third party providers of services									
Portfolio lead	Cllr. Andrew Proctor			Risk Owner	Sarah Shirtcliff					
Risk Description			Date entered on risk register		29 July 2019					
The potential for the Council not proactively monitoring and managing 3rd party providers to ensure the standards of health and safety. There is a risk of prosecution for health and safety failings, reputational damage and a failure to deliver services. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	5	20	3	5	15	2	5	10	Mar-22	Amber
Tasks to mitigate the risk										
<p>1) HSW team to undertake remote monitoring of high risk areas e.g accomodation providers</p> <p>2) Departments to investigate specific concerns raised by the surveys</p> <p>3) Departments to review their approach to contract management and implement sustainable improvements in monitoring with the support of Health and Safety Team (HSW)</p>										
Progress update										
<p>1) Monitoring undertaken by HSW Q3 2017/18 Report taken to the then CLT with findings Q4 2017/18 - actions 2 & 3 agreed at the former CLT.</p> <p>2) Departments have reviewed their approach to contract management and integrated responsibilities into roles in revised structures.</p> <p>3) Monitoring is actively in place for a number of services and is due to commence for other services throughout 2020/21. Monitoring of service providers has significantly improved.</p> <p>The Health and Safety Team have been focussing efforts on carrying out risk assessments ahead of the re-opening of sites for service delivery. This work has included supporting departments to seek assurance on 3rd party providers approach to being COVID-Secure as their services re-open/scale up.</p> <p>Prospects of meeting target changed to amber to reflect identification of some areas of further work needed following investigation by HSE</p>										

Risk Number	RM029		Date of update		24 February 2021					
Risk Name	NCC may not have the employees (or a sufficient number of employees) with critical skills that will be required for the organisation to operate effectively in the next 2-5 years and longer term									
Portfolio lead	Cllr. Andrew Proctor		Risk Owner		Sarah Shirtcliff					
Risk Description			Date entered on risk register		29 July 2019					
<p>There is a risk that a range of critical new/future skills are not available within NCC in the medium to longer term. The lack of these skills will create problems for, or reduce the effectiveness of service delivery. An inability or failure to consider/identify these until they are needed will not allow sufficient time to develop or recruit these skills. This is exacerbated by: 1.The demographics of the workforce (ageing) 2.The need for changing skills and behaviours in order to implement new ways of working including specialist professional and technical skills (in particular IT, engineering, change & transformation; analytical; professional best practice etc) associated with the introduction or requirement to undertake new activities and operate or use new technology or systems - the lack of which reduces the effective operation of NCC . 3.NCC's new delivery model, including greater reliance on other employers/sectors to deliver services on our behalf 4.Significant changes in social trends and attitudes, such as the use of new technology and attitudes to the public sector, which may impact upon our 'employer brand' and therefore recruitment and retention 5.Skills shortages in key areas including social work and teaching 6.Improvements to the UK and local economy which may impact upon the Council's ability to recruit and retain staff. 7.Government policy (for example exit payment proposals) and changes to the Council's redundancy compensation policy, which could impact upon retention, particularly of those at more senior levels and/or older workers. 8. Brexit uncertainty impacting in some sectors 9. Uncertainty of covid impact which could increase pool of candidates and simultaneously increase current colleagues' possibilities for new jobs in other locations Overall risk treatment: Treat</p>										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
3	5	15	3	5	15	2	5	10	Mar-22	Green
Tasks to mitigate the risk										
<ul style="list-style-type: none"> • Identification of what new critical skills are required in services – using new workforce planning process and toolkit. As each directorate makes their changes to make savings / manage demand. • Identification of pathways to enable staff to learn, develop and qualify into shortage areas – As each directorate makes their changes to make savings / manage demand <p>Creation of career families and professional communities, providing visible and clear career paths for colleagues.</p> <p>Adding a strengths based approach to performance development conversations and development plans - help people to know what their strengths are and the range of jobs where they could use those strengths</p> <p>Recruit for strengths not just qualifications and skills and experience</p> <ul style="list-style-type: none"> • Explore further integration with other organisations to fill the gaps in our workforce - ongoing • Develop talent pipelines working with schools, colleges and universities • Undertake market rate exercises as appropriate and review employment packages • Explore / develop the use of apprenticeships and early career schemes; this will help grow talent and act as a retention tool • Work with 14 – 19 providers and Higher Education providers to ensure that the GCSE, A level and Degree subjects meets the needs of future workforce requirements. 										

Progress update

We are utilising the apprenticeship levy to focus on critical areas e.g. Social Work, Fire Service. New Apprenticeship strategy 20-23 signed off Dec 2020.

Workforce Development Plans in services are in development focusing on areas of critical service delivery. We are also developing an improved approach to workforce planning through accessing regional expertise and support. This approach will support targeted provision of apprenticeships and other schemes.

We have developed key Organisational Development priorities of future and roles of work in NCC, supporting an effective organisation, recruiting for strengths, creating life friendly careers and the deal in service of our people vision. These priorities thread through and inform all strategic work carried out by the HR team. A strengths-based approach to Talent is under development and will support, via the Oracle HR&Finance system, increased transparency of vacancies and the ability of current NCC employees to find and match themselves with appropriate roles.

We are a Cornerstone Employer, and have a silver award for the Armed Forces Convenance, supporting an inclusive approach to recruitment

We are revising our mandatory training policy to support key skills and knowledge of our workforce
Implementation of HR & Finance system will give us capability to improve our workforce planning through real time reporting, improved data and access to talent information. This system will be implemented on a phased basis. The creation of Career Families is central to making best use of the system and supporting col

leagues to find and develop into vacancies they might otherwise not see. A pilot of this work has been completed and the implementation of it in the rest of the organisation commences in March, ending by April 2022.

We are developing our branding of NCC to attract people with the future skills we need to continue to be successful and deliver NCCs vision and strategy

We are working with partners to establish joined up recruitment and systems streamlining needs

We have reshaped our core learning and development offer to the organisation through the Norfolk Development Academy and Social Care Academy e.g. digital skills, leadership and management skills. We now have a comprehensive suite of learning offers for both areas and all relevant learning is available via virtual means.

The Human Resources Team have been focussing their staff resources on addressing work related to COVID-19. This risk will continue to be mitigated with an ongoing commitment to ensuring that the Council continues to operate effectively with the required skillsets of its staff in place going forward. Government initiatives being introduced to try and mitigate the impact of COVID-19 on the economy may offer more opportunities to help mitigate this risk. Further information is expected in September and we will evaluate these before updating in the next period. There are also early signs that NCC is attracting more candidates as the public sector is seen as a more secure employer and people explore moving out of major cities. It is too early however to reduce the level of risk on this basis.

Risk Number	RM030		Date of update		25 February 2021					
Risk Name	Non-realisation of Children's Services Transformation change and expected benefits									
Portfolio lead	Cllr. John Fisher			Risk Owner Sara Tough						
Risk Description			Date entered on risk register		08 August 2019					
There is a risk that Children's Services do not experience the expected benefits from the transformation programme. Outcomes for children and their families are not improved, need is not met earlier and the increasing demand for specialist support and intervention is not managed. Statutory duties will not be fully met and the financial position of the department will be unsustainable over time. Overall risk treatment: Treat										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
4	5	20	3	5	15	1	5	5	Mar-23	Amber
Tasks to mitigate the risk										
<p>1) A demand management and prevention strategy and associated business cases have been completed and a 5 year transformation programme has been established covering social care and education</p> <p>2) Significant investment has been provided to delivery transformation including £12-15 million for demand management and prevention in social care and £120m for capital investment in Specialist Resource Bases and Specialist Schools</p> <p>3) A single senior transformation lead, operational business leads and a transformation team have been appointed / aligned to direct, oversee and manage the change</p> <p>4) Scrutiny structures are in place through the Norfolk Futures governance processes to track and monitor the trajectories of the programme benefits, risks and issues</p> <p>5) Services from corporate departments are aligned to provide support to transformation change e.g. HR, Comms, IT, Finance etc</p> <p>6) Interdependencies with other enabling transformation programmes e.g. smarter working will be aligned to help maximise realisation of benefits.</p>										
Progress update										
<p>Scoring rationale - Risk impact relates to outcomes for children and families not being met, a key county council objective and financial loss of benefits over £3m therefore scored 5. Risk likelihood has reduced from "probable" prior to programme being initiated to "possible" as the transformation programme is seeing initial success after first 24 months of initial 5 year programme, therefore scored 3.</p> <p>Feb 2021 update:</p> <ul style="list-style-type: none"> - The investment in transformation has proved successful during the last 24 months- have met existing targets for specific schemes albeit in the context of overall dept overspends - Currently (period 9) projecting a balanced budget outturn position for 2020/21, including a £3m contribution to a Children's Services Business Risk Resilience reserve due to one-off Covid-related underspends - Overall programme is on track to tip into net cash benefits – growing in the coming years 										

Progress update

- Core indicator of number of Children in Care plateaued during lockdown but is now falling again
- Following first COVID lockdown, resulted in a 6-month delay to existing schemes – so potential shortfall on planned savings as well as delivering new targets will need to be picked up in 2021/22 – but momentum maintained
- Following recent COVID lockdown (Jan 2021) a significant COVID response was established across departments, overall programme prioritised to release sufficient resource but majority of programme still being delivered
- Still working with considerable uncertainty in terms of demand levels and other factors so will need to keep all modelling under-review
- Still bringing through new schemes of transformation and efficiency
- Balancing transformation with focus on Covid and also on Ofsted – delivering SEN Written Statement of Action

Risk Number	RM031		Date of update		25 February 2021					
Risk Name	NCC Funded Children's Services Overspend									
Portfolio lead	Cllr. John Fisher			Risk Owner	Sara Tough					
Risk Description			Date entered on risk register		01 September 2019					
There is a risk that the NCC Funded Children's Services budget results in a significant overspend that will need to be funded from other parts of Norfolk County Council										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
5	5	25	4	5	20	3	5	15	Mar-22	Amber
Tasks to mitigate the risk										
<p>Improved monitoring systems identified and revised CSLT tier 2, 3 & 4 structure proposed. Transformation programme that is targeting improvement to operating model, ways of working, and placement & sufficiency to ensure that intervention is happening at the right time, with the right children and families supported, with the right types of support, intervention & placements. This will result in improved value for money through ensuring that money is spent in the right places, at the right times with the investment in children and families resulting in lower, long-term costs. In turn, this will enable the most expensive areas of NCC funded spend (placement costs and staffing costs) to be well controlled and to remain within budget. Cohorts will be regularly analysed to ensure that all are targeted appropriately.</p> <p>The Functioning Family Therapy service has been launched. Family Group Conferencing is being reintroduced.</p> <p>Recognition of underlying budget pressures within recent NCC budgets and within the MTFs, including for front-line placement and support costs (children looked after, children with disabilities and care leavers), operational staffing, and home to school transport for children with SEND.</p>										
Progress update										
<p>Scoring rationale - Risk impact relates to financial impact of over £3m, therefore scored 5. Risk likelihood has reduced from "almost certain" to probable, due to department currently projecting a balanced budget outturn position for 2020/21, but balanced against considerable financial pressures for 2021/22 and uncertainties due to COVID 19. Risk "Target date" updated to the end of the next financial year</p> <p>Feb 2021 update:</p> <p>Improved monitoring systems in place and becoming embedded: Assistant Director financial monitoring meetings, LAC tracker, Permanency Planning Meetings, DCS Quarterly Performance meetings, weekly Getting to Good Meetings and Transformation and Benefits Realisation Board chaired by Cabinet Member CS and attended by Members and CSLT.</p> <p>Multiple Transformation projects under-way and delivered, for example the new Social Care delivery model, Fostering Recruitment Transformation and use of an enhanced fostering model. Our remodelled LAC and LC Service is due to go live in April 2021. Norfolk has been successful</p>										

Progress update

in being awarded DfE funding to introduce the No Wrong Door model in partnership N Yorks, which will be called New Roads. This is a proven model at working with adolescents differently improving outcomes and reducing costs. Due to COVID the project was initially delayed but implementation has now commenced and we are on track for a go live date of June 2021.

Children Looked After numbers have now been in steady sustained decline for a since January 2019, which has resulted in reduced overall placement costs. The rate of reduction has slowed during COVID, but remains stable and has started to reduce again. Where numbers have reduced, overall unit costs have not decreased. A number of existing transformation projects are in train to support these young people more effectively and reduce unit costs over the medium term.

Over the course of this year and beyond a core focus of our transformation will be to reshape the system of preventative and early help services in Norfolk, further reducing demand for specialist services.

Risk Number	RM032a		Date of update		02 March 2021					
Risk Name	Effect of COVID-19 on NCC business continuity (staff, service users, and service delivery)									
Portfolio lead	Cllr. Andrew Proctor			Risk Owner	Tom McCabe					
Risk Description			Date entered on risk register		27 February 2020					
<p>There is a risk of disruption to service delivery if there are widespread cases of COVID-19 in Norfolk affecting the health, safety and wellbeing of Norfolk County Council and contracted partner employees. This could impact on Norfolk County Council financially and reputationally. Cause: Not effectively containing COVID-19. Event: Widespread positive cases of COVID-19 across Norfolk, affecting NCC staff, partners, and service users. Effect: There are potential effects on staff, partner organisations, and service user's health, safety and wellbeing if there is widespread exposure to COVID-19 within Norfolk. Overall risk treatment: Treat</p>										
Original			Current			Tolerance Target				
Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Likelihood	Impact	Risk score	Target Date	Prospects of meeting Target Risk Score by Target Date
2	5	10	4	4	16	3	2	6	Sep-21	Green
Tasks to mitigate the risk										
<p>1) Coordination of communications to make staff, service users, and contracted third parties aware of the latest guidance from Public Health England to help to contain cases of COVID-19, provide reassurance of the Council's response to COVID-19, contribute to the support structure, and demonstrate leadership. Action owner: James Dunne</p> <p>2) Ensuring staff continue to be provided with information on safe working, particularly for those working in the community. To continue to ensure that measures to support mental health are available. Action owner: Derryth Wright</p> <p>3) Modelling to be carried out to give best estimates on the prevalence of COVID-19 in Norfolk. Action Owner: Tim Winters</p> <p>4) Adaptation of Business Continuity arrangements to meet service demands. Business Continuity Plan owners will need to review BCP's with their management teams to ensure that they reflect changes since COVID-19 which could affect current plans around such events as a loss of ICT, loss of a key system, shortage of key personnel, recognising other current priorities of services. Action Owner: Heads of Service</p> <p>5) Assessment of financial impact. Action Owner: Harvey Bullen</p> <p>6) Continued monitoring of risk mitigation progress for risks covering the winter 2020/21 period and beyond. Action Owner: Recovery Group and Risk Management Officer</p> <p>7) Identifying nuanced implications of pupils back at school and working to ensure that all aspects of this are managed. Action Owner: Chris Snudden</p> <p>8) To consider how and when sites might be re-opened for staff on a prioritisation basis using any revised government guidance, where and when it is safe to do so. Action Owner: John Baldwin</p> <p>9) To ensure that children with disabilities (CWD) and their families are able to access short breaks to prevent family breakdown or potential harm to vulnerable children.</p>										
Progress update										

Progress update

- 1) Communications continue to go out to all staff advising on how to seek further guidance issued by Public Health England. External communications to third parties are reviewed to ensure that external communications as well as internal communications are consistent. Communications are providing reassurance of the Council's response to COVID-19, contributing to the support structure, and demonstrating leadership. Members are receiving a Members Briefing document. In line with cases rising nationally and a subsequent second national lockdown, communications have been launched to further help to stop the spread of COVID-19 in Norfolk, encouraging people to stay at home as much as possible to protect ourselves, protect others and protect Norfolk.
- 2) Office-based staff continue to work at home wherever possible. All staff continue to receive guidance on safe working, including the use of personal protective equipment provided for staff delivering face to face services. The Health and Safety team continue to issue regular communications and provide wellbeing support to ensure people have access to any mental health support they may need including Norfolk Support Line, Mental Health First Aid Champions, wellbeing officers, and online e-Learning on personal resilience, all of which are available to staff. Support channels continue to be widely communicated to staff. This is important to help to mitigate the risk of staff feeling isolated from prolonged home working. Significant changes re. PPE have been incorporated in the guidance. The wellbeing staff survey provides greater insight to the wellbeing of the workforce during COVID-19. The survey is showing an increased level of pressure being felt by staff in the teams that have undertaken it, but the survey is designed to support the development of solutions by the team, for the team. This will help teams to manage their wellbeing directly. The provision of additional well-being support is also being launched through a wider winter offer. This includes adult learning sessions following the 5 ways to wellbeing model.
- 3) Modelling has been carried out to provide further understanding of the numbers of expected cases in Norfolk. We have also modelled to align numbers of resources to how many we think we need e.g. for social care discharges, community food distribution, and projected mortality rates. The COVID-19 epidemic curve forecasts produced at a national and regional level for mortality, hospital admissions and infection prevalence are being applied to our local population as we have done previously. This gives us scenarios around which to estimate system capacity required for testing, hospital admissions, hospital discharges and mortality. The Head of Public Health Information is reviewing the implications for Norfolk of the potential national scenarios as and when they are published, including the challenges we face during this Winter period.
- 4) Service delivery is being modified to adapt to the everchanging demands on services, including through online channels during lockdown for those services where it is appropriate to do so. Significant work on winter planning has been carried out, including putting in place contingency plans with key providers. In relation to care homes, the Health Protection Care Provider delivery group continues to support collaboration between NCC and Norfolk & Waveney CCG and has been developed to prevent new outbreaks in care homes.

Progress update

The Care Provider Incident Room (managed by N&W CCG) is the single point of contact for care homes to access support and advice and to report outbreaks. The Outbreak Management Team (managed by NCC) includes a Multi-disciplinary team with the ASSD Quality team working with PH consultants to manage outbreaks and to offer wrap around support to care homes. Enhanced arrangements continue to be in place for governance & oversight, infection control, testing, PPE & clinical equipment, workforce support and financial support. Business Continuity Plans across the Council continue to be reviewed to ensure they incorporate changes to service delivery. Consideration is being given to looking at how to gauge any potential capacity issues. Our critical services list is being reviewed, so we are clear about where we need to put our efforts in the event of a reduction in capacity. Key areas have recruited additional resource, including Public Health and Resilience. We continue to work as part of the Norfolk Resilience Forum (NRF), so that capacity across all agencies can be assessed (this is reviewed regularly as part of the NRF dashboard). A separate risk (RM14447) is being managed at departmental level (CES) on concurrent major disruptions to business.

5) There is financial monitoring of in-year cost to address the impact of COVID-19 within departments, with monitoring of 2020-21 spend reported to Cabinet on a monthly basis. Financial forecasting is taking place to further understand where there are likely to be areas of greater financial challenges as a result of COVID-19 beyond 2020-21. The Strategic and Financial Planning report was taken to Cabinet in October highlighting the latest assessment of significant areas of risk and uncertainty around emerging budget pressures for the 2021-22 Budget and Medium Term Financial Strategy. This paper also asked Members to consider and agree proposed savings. Public consultation will be undertaken on the 2021-22 Budget and saving proposals ahead of the budget setting meeting of Full Council in February 2021. The October paper also proposed next steps in the Budget planning process for 2021-22, including the actions required to develop further saving proposals in light of the significant uncertainty about the overall financial position. Monitoring reports will be taken to Cabinet in 2021-22.

6) Further risk management through Recovery Group, with support from the Risk Management Officer.

7) Staff with children continue to show great flexibility around family needs. The Health and Safety team are working with Children's Services (CS) on the general monitoring programme, with Children's Services identifying which schools require additional support. Health and Safety are providing feedback to CS with common themes needing to be addressed.

8) Reopening of services has suspended following the national lockdown. However, when we return to a situation where services can reopen again a clear process for assessing need and suitability considering all the risks has been developed and is in place. This is managed through a working group chaired by the Head of Finance Exchequer Services and Health and Safety are members of that group.

9) CWD short breaks is one of the prioritised areas to resume face to face services under Theme G, with additional support provided in response to growing evidence of fatigue and strain amongst families.

Scrutiny Options for Managing Corporate Risks

Reflecting good risk management practice, there are some helpful prompts that can help scrutinise risk, and guide future actions. These are set out below.

Suggested prompts for risk management improvement discussion

In reviewing the Council's corporate risks there are a number of risk management improvement questions that can be worked through to aid the discussion, as below:

1. What progress with risk mitigation is predicted?
2. How can progress with risk mitigation be improved?
3. When will progress be back on track?
4. What can we learn for the future?

In doing so, committee members are asked to consider the actions that have been identified by the risk owner and reviewer.

Risk Management improvement – potential actions

A standard list of suggested actions have been developed. This provides members with options for next steps where reported risk management scores or progress require follow-up and additional work.

All actions, whether from this list or not, will be followed up and reported back to the committee.

Potential follow-up actions

	Action	Description
1	Approve actions	Approve recommended actions identified in the exception reporting and set a date for reporting back to the committee
2	Identify alternative/additional actions	Identify alternative/additional actions to those recommended in the exception reporting and set a date for reporting back to the committee
3	Refer to Departmental Management Team (DMT)	DMT to work through the risk management issues identified at the committee meeting and develop an action plan for improvement and report back to the committee
4	Refer to committee task and finish group	Member-led task and finish group to work through the risk management issues identified at the committee meeting and develop an action plan for improvement and report back to committee
5	Refer to Corporate Board	Identify key actions for risk management improvement and refer to Corporate Board for action
6	Refer to Cabinet	Identify key actions for risk management improvement that have whole Council 'Corporate risk' implications and refer them to Cabinet for action.

Background Information

A Corporate Risk is one that:

- requires strong management at a corporate level thus the Corporate Board should direct any action to be taken
- requires input or responsibility from more than one Executive Director for mitigating tasks; and
- If not managed appropriately, it could potentially result in the County Council failing to achieve one or more of its key corporate objectives and/or suffer a significant financial loss or reputational damage.

In responding to the corporate risks identified, there are four risk treatments that should be considered;

Treat

The risk should be treated through active management of the risk to reduce wherever the implications of the risk materialising are negative.

Tolerate

The risk should be acknowledged with the recognition that some or all of the mitigating actions are out of the immediate control of the Council.

Transfer

The risk should be transferred to a third party (usually via an insurance policy).

Terminate

The root cause of the risk should be terminated i.e. the action(s) causing the risk should be stopped.

Audit Committee

Item No 11

Report title	Governance, Control and Risk Management of Treasury Management
Date of meeting	22 April 2021
Responsible Cabinet Member	Cllr Andrew Jamieson (Cabinet Member for Finance)
Responsible Director	Executive Director of Finance and Commercial Services

Introduction

As part of its terms of reference, the Audit Committee has responsibility to “Consider the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensure that they meet best practice”.

The purpose of this report is to provide assurance to the Committee as to the adequacy and effectiveness of these arrangements

Executive summary

This report demonstrates that appropriate arrangements are in place, reflecting best practice, which can assure the Committee that there are effective governance, control and risk management arrangements in respect of Treasury Management.

Recommendation

1. To consider and agree this report, noting that it provides assurance to the Audit Committee as to the adequacy and effectiveness of the governance, control and risk management arrangements for Treasury Management.

1. Background and Purpose

- 1.1. Treasury management in local authorities is tightly regulated. Specific policy and operational guidance on governance, control and risk management is contained within professional codes of practice, with overarching statutory and regulatory guidance drafted by the Government.
- 1.2. The Chartered Institute of Public Finance and Accountancy's (CIPFA's) Code of Practice for Treasury Management in the Public Services (the Code) defines treasury management activities as:

“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 1.3. Specific policy and operational guidance is contained in professional codes of practice, with overarching statutory and regulatory guidance drafted by the Government. This framework of regulation and codes of practice provides the basis for the governance and reporting of treasury management activities in local authorities.
- 1.4. Statutory and regulatory guidance is provided by the Local Government Act 2003 and the Government's Investment Guidelines 2010 (Revised). Codes of best practice include the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management Code of Practice and the Prudential Code. The Council adheres to all these in the way it manages its treasury services.
- 1.5. CIPFA's Code of Practice for Treasury Management in the Public Services (the Code) recommends the adoption of four key clauses as part of financial regulations and procedures. CIPFA's latest version of the Code was released in December 2017. The specific clauses and policy statements remain unchanged from the 2011 Code, and in turn the 2009 Code which the County Council adopted in February 2010 as part of its financial regulations and procedures. These recommended clauses are incorporated in Section 4.7 of the Council's Financial Regulations.
- 1.6. Complementary to the CIPFA Treasury Management Code, the Government's Investment Guidelines require the full Council to approve an Annual Investment Strategy.

1.7. In December 2008, following the collapse of Icelandic banks in October 2008, the then Cabinet approved the establishment of a cross-party Member Panel with specific responsibilities for Treasury Management. The Panel's responsibilities include:

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

1.8. As part of its terms of reference, the Audit Committee has responsibility to "Consider the effectiveness of the governance, control and risk management arrangements for Treasury Management and ensure that they meet best practice".

1.9. Following a full tender process in 2019, Link Asset Services being engaged for 8 years from 1 September 2019 as the Council's Treasury Management adviser, with the option to extend the contract for a further 2 years.

2. Proposals

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

3. Impact of the Proposal

3.1. The County Council's treasury management operations form an important part of the overall financial management of the authority. These operations are designed to comply with statutory and regulatory requirements, including appropriate Member scrutiny and reporting.

4. Evidence and Reasons for Decision

4.1. An "Annual Investment and Treasury Strategy 2020-21" was approved by the then Policy and Resources Committee on 13 January 2020 and then County Council on 17 February 2020, to coincide with the Council's annual budget proposals. Prior to consideration by Cabinet, the Strategy had been discussed and approved by the Treasury Management Panel.

4.2. The Annual Strategy report provided interest rate forecasts, the Council's borrowing strategy, criteria for choosing investment counterparties, monetary limits and deposit periods, and capital and treasury management prudential indicators. The strategy also incorporates the Council's minimum revenue provision (MRP)

policy which sets out how the Council will set aside monies for the repayment of debt.

During financial year 2020-21, the County Council met the reporting requirements of the CIPFA Treasury Management Code by receiving:

- annual report following the year-end describing activity (Cabinet 8 June 2020 and County Council 20 July 2020)
- a mid-year treasury update report (Cabinet 7 December 2020)
- an annual treasury strategy in advance of the 2020-21 financial year (Cabinet 13 January 2020 and County Council 22 February 2021).

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

- 4.3. Following this financial year-end, the “Annual Treasury Management Report 2020-21” is due to be approved by the Treasury Management Panel in May 2021 and Cabinet in June / July 2021, for presentation to County Council.
- 4.4. The Annual Report reviews treasury activities undertaken in the previous 12 months (April to March) and contains details of performance against key treasury management indicators and budgets. It also provided confirmation that all treasury investment during the year was in accordance with the approved investment criteria.
- 4.5. Following changes to Public Works Loan Board “PWLB” lending arrangements in November 2020, the PWLB will ask local authority s151 officers to confirm that there is no intention to purchase investment assets primarily for yield at any point in the next three years. Schemes approved in the Council’s capital programme are all within Norfolk and relate to policy initiatives such as economic development. There are no schemes which include the purchase of assets primarily for yield.
- 4.6. Prior to this change PWLB lending, the Council had incorporated the governance requirements of the CIPFA Treasury Management Code and the MHCLG Investment Guidelines relating to “non-treasury investments” into its Treasury Management reports. A summary of non-treasury investments (including loans to subsidiaries) is included along with a short commentary on the proportionality of these investments in the context of the Council’s capital programme and revenue budgets.
- 4.7. Through 2020-21, the Treasury Management Panel provided scrutiny of treasury activity. Reports to Cabinet are amended where appropriate to incorporate comments or views expressed by the Panel. There are no outstanding actions or recommendations from meetings of the Panel during 2020-21.
- 4.8. The Panel received training in December 2020 in the form of a presentation from Link Group, the Council’s external treasury advisors. This covered the general

treasury management environment and focussed on borrowing options following the PWLB reduction in interest rates in November 2020.

- 4.9. In addition to the specific treasury management reports, throughout 2020-21 Cabinet received regular short treasury management summaries within monthly Finance Monitoring reports. These provided key treasury management information such as the levels of cash balances.
- 4.10. The County Council's external auditor (Ernst & Young) performs audit tests in order to inform their annual audit of the Council's Statement of Accounts. For example, they seek independent verification of material investment and debt balances. In future, auditors are likely review decision-making processes around borrowing and investment, including an assessment of whether capital expenditure plans are compliant with the lending terms of the PWLB.
- 4.11. Transaction testing of key controls is supplemented by a triennial full internal audit review, supplemented by further work if significant changes to systems or processes are identified. The previous full triennial internal audit review was undertaken in 2017, with a final report issued on 23 August 2017. A further full internal audit has recently been performed as part of the 2020-21 internal audit programme. At the time of writing no adverse findings have been reported.

5. Alternative Options

- 5.1. In order to comply with best practice and Codes of Practice, no viable alternative options have been identified.

6. Financial Implications

- 6.1. The expenditure and income relating to treasury management activities falls within the parameters of the Annual Budget agreed by the Council.

7. Resource Implications

- 7.1. There are no direct staff, property or IT implications arising from this report.

8. Other Implications

8.1. Legal Implications

None identified.

8.2. Human Rights implications

None identified.

8.3. Equality Impact Assessment

No issues or implications identified.

9. Risk Implications/Assessment

- 9.1. In December 2017, CIPFA issued a revised Treasury Management Code of Practice and a revised Prudential Code. These revisions have particularly focussed on non-treasury investments including, for example, capital loans and property investments. Full implementation of the new Code was required in 2019-20 and reports have been updated accordingly.
- 9.2. Despite changes to working practices and restrictions imposed as a result of Covid 19, the Council's treasury management operations have been carried out in accordance with best practice and in compliance with legislative and regulatory

requirements. Although there have been some practical changes resulting from remote working, such as the acceptance of e-mail authorisations in place of handwritten signatures, the Banking and Treasury Team have maintained a full service throughout the year with the same level of authorisation, reconciliation and control.

- 9.3. Covid-19 responses and measures have had some impact on interest rates in the period covered by this report, with some short-term nil or negative interest rates on offer. In addition, due to patterns of expenditure and government grants, cash-flow forecasting has been more uncertain. However, this has not changed the Council's investment strategy: as in previous years, a balance is maintained with the Council's bank with investments currently with UK retail banks, UK money market funds, or UK local authorities.
- 9.4. The Bank of England has been 0.1% since March 2020, and returns on the investment of surplus cash are forecast to remain minimal.
- 9.5. On 9 October 2019 HM Treasury announced that 1% would be added to all new PWLB borrowing (apart from specific borrowing for approved infrastructure projects), from that date. During that time the Council explored alternative sources of borrowing, including meetings with the UK Municipal Bonds Agency (UKMBA) but no borrowing was undertaken during the period of increased borrowing rates.
- 9.6. The increase was reversed in November 2020 and interest rates payable on new borrowing are also forecast to be historically low for the foreseeable future.
- 9.7. As part of the new PWLB arrangements, the government announced that the PWLB will not lend to a local authority that plans to buy investment assets primarily for yield anywhere in their capital plans, regardless of whether the transaction would notionally be financed from a source other than the PWLB. A list of non-treasury investments is included in Treasury Management papers. This shows that capital investments made by Norfolk County Council have been for policy purposes and not purely for financial return.
- 9.8. Changes to IFRS 16 (the financial accounting standard relating to leases), mean that the Council has to bring operating leases and other "right of use" arrangements, including "embedded leases", onto its balance sheet from April 2022. This will affect the Council's statement of accounts and will increase the Council's stated capital financing requirement. However, it is not likely to alter financing decisions or impact the Council's general fund
- 9.9. The Council's Financial Regulation and Procedures have specific sections dedicated to Treasury Management (sections 4.7 and C7 respectively). They set out the key controls and specific responsibilities of the Statutory Finance Officer (Executive Director of Finance and Commercial Services) and the other Chief Officers. The regulations and procedures are reviewed and updated annually.

- 9.10. The Finance Management Team is responsible for maintaining a departmental risk register. There are currently no “High” risks identified relating to Treasury Management activities.

10. Select Committee comments

- 10.1. None.

11. Recommendation

- 11.1. Recommendations are set out in the introduction to this report.

12. Background Papers

- 12.1. None

Officer Contact

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Audit Committee

Item No 12 .

Report title:	Anti-Fraud, Bribery and Corruption Audit Committee Progress Report (Including Whistleblowing)
Date of meeting:	22 April 2021
Responsible Cabinet Member	Not applicable
Responsible Director:	Helen Edwards, Director of Governance
Is this a key decision?	No

Executive Summary

The Norfolk Audit Service (NAS) Anti-Fraud, Bribery and Corruption Strategy continues to direct the proactive anti-fraud work undertaken by NAS.

Appendix A of this report provides a report in respect of the counter fraud activity undertaken by NAS between 1 January 2021 and 31 March 2021

Furthermore, an update in respect of the Council's Whistleblowing provision can be found in section three of the report.

Key messages are that:

- Mandatory eLearning relating to Fraud and Corruption for all office-based staff is being updated. As services begin to move out of emergency procedures due to the pandemic, the eLearning will resume its roll out across the Council.
- In October 2020 the Council completed its bi-annual data upload to the Cabinet Office National Fraud Initiative (NFI). Data matching fieldwork is ongoing.
- The Council's whistleblowing policy and anti-fraud, bribery and corruption policy were approved by Cabinet. These have been refreshed for consequential changes related to accessibility requirements. The policies have been provided to the Audit Committee for consideration and agreement at **Appendix B** and **C**.
- In January 2021 a Fraud Risk Assessment (FRA) was completed for emergency assistance grants. The FRA assisted with providing funds quickly, whilst ensuring low friction fraud controls were observed in the process.
- Meetings and collaboration with other fraud professionals across the UK have continued during the periods including the South Eastern Counties Fraud Hub, CIFAS Insider Threat week and the Fighting Fraud and Corruption Locally regional meeting.
- As we slowly move out of the emergency measures for COVID19 (and in accordance with ongoing government guidance), communications have been developed and distributed reminding colleagues and departments about fraud resilience, undertaking post event assurance work and moving back into substantive service controls.

- Previously reported Investigations remain ongoing at the point of reporting.

One new investigation referral has been received and is currently being assessed.

Action Required:

To;

- **Consider and agree that the content of the Anti-Fraud, Bribery and Corruption and Whistleblowing report (Appendix A), the key messages, that the progress is satisfactory, and arrangements are effective.**
- **To agree the consequential changes to the content of the updated whistleblowing policy at Appendix B**
- **To agree the consequential changes to the content of the updated Anti-Fraud, Bribery and Corruption Policy at Appendix C**

1. **Background and Purpose**

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.

2. **Proposals**

The Norfolk Audit Service (NAS) Anti-Fraud, Bribery and Corruption Strategy continues to direct the proactive anti-fraud work undertaken.

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 period 1 January 2021 to 31 March 2021.

Norfolk Audit Service (NAS) leads on the strategic delivery of Counter Fraud, Bribery and Anti-Corruption work across all NCC's services. 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.

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.

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:

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 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.

3. **Impact of the Proposal**

The Council can demonstrate commitment and progress to fighting fraud locally and to fulfil the Crime and Disorder Act 1998.

4. **Evidence and Reasons for Decision**

Not applicable

5. **Alternative Options**

Not applicable

6. **Financial Implications**

The cost/expenditure falls within the parameters of the Annual Budget agreed by Council.

7. **Any other implications**

7.1 Officers have considered all the implications which members should be aware of. Apart from those listed in the report (above), there are no other implications to consider.

9. **Risk Implications/Assessment:** Not applicable

10. **Select Committee Comments:** None

11. **Recommendation**

11.1 See Action Required at Executive summary

Background Papers: None

Officer Contact

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Anti-Fraud, Bribery and Corruption

APPENDIX A

**NAS Anti-Fraud, Bribery
and Corruption Audit
Committee Progress Report
(Including Whistleblowing)**

For presentation at the Audit Committee meeting on:	22 April 2021
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1. Introduction

The Norfolk Audit Service (NAS) Anti-Fraud, Bribery and Corruption Strategy continues to direct the proactive anti-fraud work undertaken by NAS.

This report provides an update in respect of the pro-active and reactive anti-fraud, bribery and corruption activity undertaken during the period 1 January 2021 to 31 March 2021.

Furthermore, an update in respect of the Council's Whistleblowing provision can be found in section **four** of this report.

1. Key messages

- Mandatory eLearning relating to Fraud and Corruption for all office-based staff is being updated. As services begin to move out of emergency procedures due to the pandemic, the eLearning will resume its roll out across the Council.
- In October 2020 the Council completed its bi-annual data upload to the Cabinet Office National Fraud Initiative (NFI). Data matching fieldwork is ongoing.
- The Council's whistleblowing policy and anti-fraud, bribery and corruption policy agreed by the Cabinet, have been refreshed for consequential changes. The policies have been provided to the Audit Committee for agreement.
- In January 2021 a Fraud Risk Assessment (FRA) was completed for emergency assistance grants. The FRA assisted with providing funds quickly, whilst ensuring low friction fraud controls were observed in the process.
- Meetings and collaboration with other fraud professionals across the UK have continued during the periods including the South Eastern Counties Fraud Hub, CIFAS Insider Threat week and the Fighting Fraud and Corruption Locally regional meeting.
- As we slowly move out of the emergency measures for COVID19 (and in accordance with ongoing government guidance), communications have been developed and distributed reminding colleagues and departments about fraud resilience, undertaking post event assurance work and moving back into substantive service controls.
- Previously reported Investigations remain ongoing at the point of reporting. 1 new investigation referral has been received and is currently being assessed

Further details of all the activity undertaken during the period can be found in section 2 below.

2. Proactive Work Summary

The table below provides a summary of activities completed/commenced during the reporting period. These follow the draft plan of activity.

	Activity
a.	<p>The Council's Mandatory eLearning module relating to Fraud and Corruption for all office-based staff is being updated.</p> <p>The updates include aligning the module with other eLearning modules including Data Protection and Information Governance to ensure a consistent message is delivered to delegates</p> <p>As services begin to move out of emergency procedures due to the pandemic, the eLearning will resume its roll out across the Council.</p>
b.	<p>Data matching fieldwork involving the Cabinet Office National Fraud Initiative (NFI) is ongoing.</p> <p>The National Fraud Initiative (NFI) is an exercise that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The NFI exercise takes place bi-annually.</p> <p>Currently, work is ongoing to review matches relating to concessionary travel passes and blue badge holders.</p> <p>A review of pensions and potential identity theft matches has been completed and no significant issues were detected.</p> <p>Any significant findings will be reported to the Audit Committee and/or considered for further investigation upon conclusion of the fieldwork.</p>
c.	<p>The Council's Whistleblowing policy has been updated and refreshed for consequential changes.</p> <p>Updates included changes to reporting lines and ensuring the policy complies with 'The Public Sector Bodies (Websites and Mobile Applications) (No.2) Accessibility Regulations 2018'.</p> <p>A copy of the updated policy has been provided in Appendix B for the review and agreement of the Audit Committee</p> <p>The law relating to whistleblowing (the Public Interest Disclosure Act) is under review and a new bill is currently in parliament. The policy will be updated with new legislation as it emerges.</p>

	Activity
d.	<p>The Council's Anti-Fraud Bribery and Corruption policy has been updated and refreshed for consequential changes.</p> <p>Updates included changes to reporting lines and ensuring the policy complies with ‘The Public Sector Bodies (Websites and Mobile Applications) (No.2) Accessibility Regulations 2018’.</p> <p>A copy of the refreshed policy has been provided in Appendix C for the agreement of the Audit Committee.</p>
e.	<p>In January 2021 a Fraud Risk Assessment (FRA) was completed for emergency assistance grants.</p> <p>The Norfolk Assistance Scheme (the scheme) helps people who are unable to meet their immediate needs or need practical support to set up home. There are many people in our community who need this support.</p> <p>The scheme can therefore help people who are struggling because of coronavirus, for example those who have been furloughed, are on reduced hours or have been made redundant.</p> <p>New or amended systems may be subject to an FRA where there is an identified or potential risk of fraud.</p> <p>Recommendations from the FRA were implemented to:</p> <ul style="list-style-type: none"> • Assist with preventing and detecting fraud risks due to system weaknesses. • Create a deterrent effect against those who seek to defraud the public purse. <p>The FRA assisted with providing funds quickly, whilst ensuring low friction fraud controls were observed in the process.</p>
f.	<p>In February 2021 the central government counter fraud function issued the Cross-Government Fraud Landscape Bulletin 2019-20.</p> <p>The report highlights that 2020 was a particularly challenging year due to the heightened risk of fraud and economic crime as a result of the COVID-19 global pandemic. The estimated fraud cost to the government outside of the tax and welfare system is up to £25bn per year.</p> <p>One important area discussed was post event assurance measures taken as a result of COVID19. Those measures relate to emergency management controls in place, which central government acknowledge as the following:</p> <ul style="list-style-type: none"> • Accept an inherently high risk of fraud exists in emergency payments • Integrate fraud control resources and build awareness of fraud risks • Implement low friction counter-measures

	Activity
	<ul style="list-style-type: none"> • Carry out targeted post-event assurance testing • Be mindful of the shift into more longer term services <p>Also. in February, the government published the roadmap to easing COVID19 restrictions across the uk. The roadmap, which is published on gov.uk, outlines the steps for easing restrictions.</p> <p>As we slowly move out of the emergency measures (and in accordance with ongoing government guidance) communications have been developed and distributed reminding colleagues and departments:</p> <ol style="list-style-type: none"> 1. <u>Carrying out targeted ‘post-event assurance’ to look for fraud, ensuring access to investigation/reviewing resource.</u> <p>This means allocating some time and resources into identifying and reviewing (on a sample basis) high risk*** emergency transactions/decisions made during the last year to ensure they were legitimate.</p> <p>If it is found any services may appear to have been applied for (or awarded) dishonestly then these should be escalated for further investigation in accordance with the Council’s Anti-Fraud, Bribery and Corruption policy.</p> <ol style="list-style-type: none"> 2. <u>Being mindful of the shift from emergency payments into longer term services and revisit the control framework.</u> <p>Previous Control measures, checks and balances may have been relaxed (or even suspended) in order to ensure services and payments could be made without delay during the pandemic; it is of vital importance that we recognise where this has occurred and seek to re-implement those controls at the right time. Failure to do so may leave the public funds the Council administers vulnerable to longer term (unnecessary) risk.</p> <p>Counter fraud staff within the internal audit team are available to discuss and provide advice on the measures where required.</p>
g.	<p>FraudHub continues to have a positive impact in respect of its capabilities for person tracing and background checks.</p> <p>In the last quarter FraudHub has assisted with identifying potential fraud. This has included:</p> <ul style="list-style-type: none"> • Undeclared property ownership and deeds of trust • Undeclared bank accounts

Activity	
	<ul style="list-style-type: none"> • Unknown capital • Person tracing
h.	<p>The Investigative Auditor has attended meetings and events both nationally and with internal departments/personnel during the period. Including:</p> <p>External:</p> <ul style="list-style-type: none"> • South Eastern Counties Fraud Hub, • CIFAS Insider Threat week and the • Fighting Fraud and Corruption Locally regional meeting. <p>Internal</p> <ul style="list-style-type: none"> • Np Law • Finance and exchequer Services • Norfolk Schools • Educator Solutions • Compliments and complaints <p>The purpose of these meetings was to enhance NCC’s counter fraud culture, promote the reporting lines for raising concerns, identify areas for counter fraud activity and assess potential investigations.</p>
i.	<p>NAS continues to support Norfolk Against Scams Partnership (NASP) in cooperation with Norfolk Trading Standards. The work undertaken by NAS includes promoting fraud and scams awareness to Norfolk Schools.</p> <p>NASP is a partnership of organisations committed to taking a stand against scams and aims to make Norfolk a scam free county.</p> <p>Through raising awareness in this area examples can be evidenced of enhanced reporting and circulation of new and emerging scams in Norfolk Schools</p>
j.	<p>Previously reported Investigations remain ongoing at the point of reporting.</p> <p>1 new investigation referral has been received and is currently being assessed.</p>

3. The Effectiveness of the Whistleblowing Policy - Update

The Director of Governance 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-blowers 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:

- Four new referrals have been made during the period in the areas of Health and Safety, Grant Funding, Service Availability and Bullying.

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

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

Officer name : Adrian Thompson **Tel No. :** 01603 222784

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

Support : Andrew Reeve **Tel No. :** 01603 222746

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



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

Version 2 – February 2021

WHISTLEBLOWING POLICY AND PROCEDURE

Policy Review

January 2020	Audit	<ul style="list-style-type: none"> - Revise policy date from 12/18 to 01/20 - Replace signatories page 3 to T McCabe. - Replace Contact details page 11 to T McCabe. - Checked for changes in legislation - Change of monitoring officer
February 2021	FPPT	<ul style="list-style-type: none"> - Make accessibility changes

Version 2 – February 2021

WHISTLEBLOWING POLICY AND PROCEDURE	1
POLICY REVIEW	1
1. INTRODUCTION – THE POLICY	3
2. WHAT IS WHISTLEBLOWING AND WHAT IS COVERED?	5
3. RAISING A CONCERN - WHO CAN RAISE WHISTLEBLOWING CONCERNS?	6
4. PROTECTION FOR WHISTLE-BLOWERS	7
5. CONFIDENTIALITY AND ANONYMITY	8
6. HOW DO I REPORT A CONCERN?	9
7. SHOULD I GET ADVICE?	9
8. HOW WILL MY CONCERN BE DEALT WITH - MANAGERS DUTY TO REPORT	10
9. HOW WILL MY CONCERN BE DEALT WITH? (THE PROCEDURE)	11
10. TRAINING, PROMOTION AND REPORTING	12
11. MONITORING AND REVIEW	12
1.1 APPENDIX A – LIST OF THE COUNCIL’S WHISTLEBLOWING CONTACTS	13

Version 2 – February 2021**1. INTRODUCTION – THE POLICY**

Norfolk County Council (NCC) is committed to providing a safe, supportive, open and honest working environment. If you work for (or with) NCC, it is important to us that you feel confident and able to raise any concerns that you may have.

You may be concerned about what has happened to you and your colleagues, something you have seen, heard or been asked to do or something that is not happening when it should. It is our aim to continue improving the services we provide, how we conduct our business, and the safety and wellbeing of all those within the workplace. We therefore consider the open and honest raising of concerns to be essential in meeting the Council's strategic goals, uncovering or preventing wrongdoing and how we function.

It is natural to feel uncomfortable about raising concerns at work. You may be worried about negativity from peers, your concerns not being taken seriously, or suffering recriminations such as bullying, harassment or even losing your job. The purpose of this policy is to address those concerns and assure you that the Council will act upon these with the intention of reaching a resolution. We will listen to and consider any concerns raised under this Policy (or any other) and where appropriate, investigate those concerns without delay and you will always have access to the support you need.

We believe that anyone who raises any type of concern about work that they believe to be true, should be treated with respect, and should not suffer as a result.

Through visible leadership at all levels we will actively promote this policy to managers and staff to welcome disclosures, provide training and will act against those who may seek to obstruct or ignore this policy or who harass or victimise anyone raising genuine concerns.

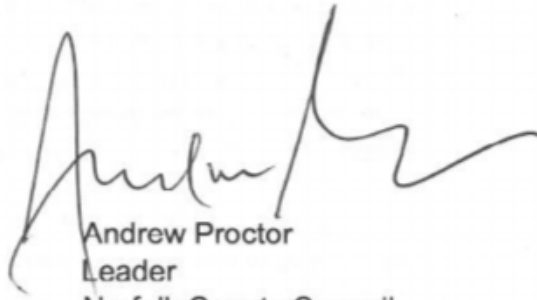
Version 2 – February 2021

The County Council's leadership will:

- Lead and re-enforce a culture which promotes openness and transparency
- Lead a co-ordinated, efficient response, ensuring that concerns are fully investigated
- Ensure that action is taken on any findings and any lessons are shared and learned; and
- Provide assurance that those who raise concerns are reassured and that the policy has been followed



Tom McCabe
Head of Paid Service
Norfolk County Council



Andrew Proctor
Leader
Norfolk County Council

Version 2 – February 2021**2. WHAT IS WHISTLEBLOWING AND WHAT IS COVERED?**

Whistleblowing is the term used to describe the disclosure of information about suspected wrongdoing or dangers identified at work.

At the Council, we believe that anyone who raises any type concern about work that they believe to be true, should be treated with respect, and should not suffer as a result. Certain types of wrongdoing or dangers that are reported are regarded as being in the public interest. These are specified with [The Public Interest Disclosure Act 1998](#) and [Employment Rights Act 1996](#) and concern the following matters:

- Any criminal offence (such as fraud or theft)
- Any breach of a legal obligation or duty
- A miscarriage of justice
- A danger to the health and safety of any individual
- Dangers to the environment
- Deliberate concealment of information tending to show any of the above five matters

A worker who reasonably believes that one of the above concerns is either happening now, took place in the past, or is likely to happen in the future is making a 'qualifying disclosure' (and discloses information regarding the matter to the appropriate person or body), will be 'protected' from detrimental treatment or victimisation from their employer. These are called "protected disclosures", further information on the protection for workers can be found in section four of this policy.

As a whistle-blower you're protected by law - you shouldn't be treated unfairly or lose your job because you 'blow the whistle'

In some cases, a protected disclosure may be investigated under a separate policy of the Council where appropriate, for example, an allegation of sexual harassment is likely to qualify for protection as it will be with reference to an unlawful or potentially criminal act. In these cases, the Councils [Bullying and Harassment Policy](#) (P308) and [Grievance policy and procedure](#) (P307) will be used as the internal mechanism for dealing with the concern in the first instance. The Councils [Conduct and Behaviour Policy](#) (P319) will be considered in all cases.

Other concerns, that may not be qualifying, which however may meet the public interest criteria, could relate to value for money concerns, poor contract management, employment issues or poor standards of behaviour of staff. While these may not have the same legal protection, the Council takes these seriously and will investigate with a view to resolving those concerns.

Personal grievances and complaints are not usually covered by whistleblowing law. If you are a member of a professional body, you may have a professional duty to

Version 2 – February 2021

report a concern. If in doubt, please raise it. Further information on who to report concerns to under this policy can be found in Appendix A.

3. RAISING A CONCERN - WHO CAN RAISE WHISTLEBLOWING CONCERNS?

This policy assists those who work for and/or with the Council (workers) to feel confident and secure with reporting any concerns that relate to section two above. A worker is regarded as an employee of the Council, contractor, consultant, student on work placement, volunteer, casual or agency worker. It also applies to school employees, suppliers to the Council and to those providing services under a contract with the Council (i.e. care homes) in their own premises, or in the premises of another contractor. A worker could also be someone working for an organisation working in partnership with the Council or to companies with which the Council has a shareholding. Although the Council's elected members are not workers within the definition of Employment Rights Act 1996, this policy nevertheless also applies to the Council's elected members.

Whistleblowing concerns can be reported to someone within the Council, or an external [prescribed person or body](#). In addition, you can also blow the whistle to your legal adviser, [Trade Union](#) or to [your MP](#).

Individuals working in maintained schools should raise their concerns with the school using the school's own whistleblowing policy and reporting arrangements rather than directly with the County Council. If the worker, however, has a concern which they feel they cannot discuss with the management of the school or have good reason to consider that their complaint or disclosure will not be properly handled, then they may report their concerns direct to the County Council or the appropriate [prescribed person or body](#).

If the concern relates to a child protection issue this should be reported to the Local Authority Designated Officer (LADO) and in line with the specific guidelines outlined in the school's safeguarding policy.

If the County Council receives any disclosures relating to other organisations/institutions, we will acknowledge these and seek advice on an appropriate course of action on the matters raised.

Any so called 'gagging clauses' in settlement agreements do not prevent workers from making disclosures in the public interest.

Note:- If you are a member of the public and you wish to raise a concern, a list of where your concern can be directed to can be found [here](#).

Version 2 – February 2021

Or

Telephone: 0344 800 8020

Email: information@norfolk.gov.uk

4. PROTECTION FOR WHISTLE-BLOWERS

(The Public Interest Disclosure Act 1998 (PIDA) governs whistleblowing. PIDA came into force on 2 July 1999. It amends the Employment Rights Act 1996 and protects workers against dismissal or other penalties as a result of making a ‘protected disclosure’.)

If a concern (by a worker) is raised in the reasonable belief that it is in the public interest and procedures have been followed correctly, the discloser raising the concern will be protected by the terms of this policy and, where applicable, by whistleblowing legislation. Where a discloser has been victimised for raising a concern, the Council will take appropriate action against those responsible, in line with the Councils disciplinary policy and procedures.

Any disclosure of information received from a worker in relation to section two of this policy is likely to be considered a “[Protected Disclosure](#)”. This means that workers who disclose information to the Council or a prescribed person or body in relation to the types of wrongdoing in section two above are protected by law and; will not be at risk of losing their job or suffering any form of reprisal as a result, so long as:

- The worker making the disclosure has reason to believe the information provided is true.
- The worker does not do so for personal gain.

It does not matter if you are mistaken or if there is an innocent explanation for your concerns.

The council does not require workers to obtain proof of wrongdoing or investigate the matter themselves prior to reporting a concern. We want workers to raise any concerns they have at the earliest opportunity so that they can be considered, and hopefully resolved quickly. The Council is committed to dealing with any disclosure appropriately, consistently, fairly and professionally and no-one should feel that any issue or concern is not important enough to be raised.

The Council does not tolerate bullying, harassment or victimisation in any form, including to those who raise a concern in connection with the provisions of this policy. Furthermore, we will not tolerate any attempt to bully a worker into not raising

Version 2 – February 2021

any such concern. The council has specific policies in place to deal with this type of behaviour such as our [Bullying and Harassment Policy](#) (P308) and [Code of Conduct and Behaviour Policy](#) (P319). We consider behaviour of this nature to be a breach of our values and will take the appropriate action against those who fail to meet our behavioural requirements.

Whistleblowing laws provide the right for a worker to take a case to an employment tribunal if they have been victimised at work or they have lost their job because they have 'blown the whistle'.

If you believe you have suffered a detriment for raising a concern under this policy, you should report this to any of the persons listed in Appendix A.

5. CONFIDENTIALITY AND ANONYMITY

We believe that any worker should feel confident and able to voice whistleblowing concerns openly under this policy. However, the Council accepts that some workers may wish to raise a concern confidentially. This means that although the officer you disclosed the information to will know who you are, you do not want anyone else to be made aware. If this is what you want, every effort will be made to ensure your identity is not disclosed unless we are required to do so by law.

In some cases, it may not be possible to maintain confidentiality as a consequence of an investigation into the concerns raised. If this occurs, we will discuss this as soon as possible with you, and aim to devise strategies for supporting you to ensure that you suffer no detriment or harassment as a result.

Workers can raise anonymous concerns under this policy. This means that those dealing with the concern may not be able to contact you or gain any further information other than what you have provided from the initial disclosure. In these cases, it may be difficult to investigate the concerns raised due many factors, such as a lack of information about individuals, dates, times, locations or documents. There is a risk that genuine concerns raised anonymously may not result in a satisfactory outcome. For these reasons the recommended routes for raising a whistleblowing concern are via open or confidential reporting of information. Nevertheless, anonymous allegations will always be individually considered using the following guidelines:

- the seriousness of the issues raised;
- the credibility of the concern; and
- the likelihood of confirming the allegations from attributable sources.

Version 2 – February 2021

Anonymous whistle-blowers may seek feedback through a telephone appointment or by using an anonymised email address

6. HOW DO I REPORT A CONCERN?

In the first instance we would encourage you to raise any concern you may have either formally or informally with your line manager. Where you do not believe this to be appropriate, you can use any of the options set out below in Appendix A. Whichever route you choose, please be ready to explain as fully as you can the information and circumstances that gave rise to your concern.

The law recognises that in some circumstances it may be appropriate for you to report your concerns to an external body such as a regulator. The government has produced a list of external bodies designated to receive external whistleblowing concerns. These are called prescribed persons and the list can be found [here](#). In any case, those who wish to make a disclosure should do so using the Councils internal procedures in the first instance.

It will very rarely (if ever) be appropriate to alert the media. Whistleblowing to the media is only protected under exceptional circumstances and there is a risk that such disclosure could mean that the rights and protections in law, of the person making the disclosure, are lost.

7. SHOULD I GET ADVICE?

Before making a disclosure, you may first wish to discuss the concern on a confidential basis. with a Well-being Officer, HR Direct, a trade union representative, solicitor, Public Concern at Work (see below) or professional body and seek advice on how to proceed. These discussions may help assess how justified your concern is and, if you then wish to proceed, the most appropriate and effective way to report it. This is important because the report should be made so as to allow the most effective investigation, whilst affording the whistle-blower protection under the law.

We strongly encourage you to seek advice before reporting a concern to anyone external. The independent whistleblowing charity, Public Concern at Work, operates a confidential helpline. Their contact details can be found in Appendix A.

Version 2 – February 2021

8. HOW WILL MY CONCERN BE DEALT WITH - MANAGERS DUTY TO REPORT

All managers should be aware of this policy and must report to the Chief Internal Auditor any concerns (deemed to be within the Public Interest -see below) that are raised with them within 24 hours of receipt. For the avoidance of doubt, concerns deemed to be within the public interest are:

- Any criminal offence (such as fraud or theft)
- Any breach of a legal obligation or duty
- A miscarriage of justice
- A danger to the health and safety of any individual
- Damage to the environment
- Deliberate concealment of information tending to show any of the above five matters.

Failure to report a concern could be considered a deliberate concealment of information and may result in disciplinary action so, if in doubt, report it without delay.

All whistleblowing topics will be reported promptly to the relevant Executive Director (and Head of HR - where an employment matter) in confidence and they will be consulted on any investigation plan. Each quarter, a report of cases, action and learning will be provided to the County Leadership Team and on a bi-annual basis the Council will produce a report in relation to whistleblowing issues that have been reported to the Whistleblowing Officer which will be reported to Policy and Resources. The report will not identify whistle-blowers and will normally be considered by the Committee in public.

Topics which need to be investigated under the set of HR policies (e.g. the bullying and harassment policy) will be reported to the County Leadership Team, the Policy and Resources Committee and the JCNC.

The report and the performance of this policy will be considered annually and will be referenced in the Council's Annual Governance Statement which is published alongside of the Annual Statement of Accounts and Approved by the Audit Committee.

Information gathered regarding whistleblowing issues will be used to inform a review of this policy on an annual basis to ensure it is robust and fit for purpose.

Version 2 – February 2021**9. HOW WILL MY CONCERN BE DEALT WITH? (THE PROCEDURE)**

We will respond to your concern to acknowledge it has been raised as soon as possible, usually within three working days of receipt.

Upon receipt of a concern, we will discuss this with you and make initial enquiries to decide whether an investigation is appropriate and, if so, what form it should take. This will include an assessment of whether the concern should be investigated under any of the Council's other policies and procedures.

Any initial meeting under this policy can be arranged away from your workplace, if you wish, and a union or professional association representative or a friend may accompany you in support.

Where appropriate, the matters raised may:

- be investigated by management, internal audit, or through the Bullying and harassment policy P308, disciplinary policy and procedure P303 or grievance policy and procedure P307
- be referred to the police
- be referred and put through established child/adult protection procedures
- form the subject of an independent inquiry
- We will also consider whether your concerns may be resolved via other mechanisms such as mediation, training or review or any other form of dispute resolution.

Where we can, we will acknowledge the allegation in writing within ten days confirming:

- How the Council propose to deal with the matter
- How long we estimate that will take to provide a final response
- Whether any initial enquiries have been made
- Whistle-blower support mechanisms; and whether further investigations will take place and if not, why not.

Any investigation will be proportionate, independent, objective and evidence based, and will produce a report that focuses on identifying and rectifying any issues and learning lessons to prevent problems occurring.

In respect of disclosures of serious misconduct or wrongdoing relating to safeguarding children or adults at risk and or special educational needs; the Council has a legal obligation to investigate and will do so irrespective of the status of any school or relevant organisation.

The Council will do what it can to minimise any difficulties that you may experience as a result of raising a concern. For instance, if you are asked to give evidence in

Version 2 – February 2021

criminal or disciplinary proceedings, the Council will arrange for you to receive appropriate advice and support.

You need to be assured that your disclosure has been properly addressed. Unless there are any legal reasons why this cannot be done, you will be kept informed of the progress and outcome of any investigation. However, sometimes the need for confidentiality may prevent us giving you specific details of the investigation or any disciplinary action taken as a result. You should treat any information about the investigation as confidential.

The Council's Norfolk Support Line Service (see Appendix A) is available to support you if you require it.

10. TRAINING, PROMOTION AND REPORTING

The provisions of this policy will be promoted throughout the Council and where appropriate, training and advice will be provided at all levels to those charged with dealing with and investigating whistleblowing concerns.

This policy will also be made available to all those the council does business with and published on the Councils external website.

11. MONITORING AND REVIEW

In line with best practice the Council will record the number of whistleblowing disclosures we receive and their nature, maintain records of the date and content of feedback provided to whistle-blowers and conduct regular surveys to ascertain the satisfaction of whistle-blowers. Protocols for reporting and evaluating the effectiveness of this policy will be developed by Norfolk Audit Service for approval by the Audit Committee.

This policy will be updated annually.

Version 2 – February 2021
Appendix A – List of the Council’s Whistleblowing Contacts

Responsibility	Name, telephone number and email addresses of responsible officers
Whistleblowing Officer (Chief Internal Auditor)	Adrian Thompson Chief Internal Auditor 01603 222 784 adrian.thompson@norfolk.gov.uk reportconcerns@norfolk.gov.uk
Monitoring Officer and Chief Legal Officer	Helen Edwards 01603 223 415 helen.edwards@norfolk.gov.uk
Head of HR	Sarah Shirtcliff Sarah.shirtcliff@norfolk.gov.uk
Head of Paid Service	Tom McCabe 01603 222500 tom.mccabe@norfolk.gov.uk
Health, safety and well-being manager	Derryth Wright Derryth.wright@norfolk.gov.uk
Executive Director of Finance	Simon George 01603 2224000 simon.george@norfolk.gov.uk
External Auditors	Ernst and Young Ernst & Young LLP One Cambridge Business Park, Cowley Road, Cambridge CB4 0WZ, United Kingdom
NCC Whistleblowing Hotline	01603 224433
Norfolk Support Line (Confidential counselling and information hotline for NCC employees)	0800 169 7676
Trade Union (Unison)	Jonathan Dunning 01603 222384 Jonathan.dunning@unisonnorfolkcounty.co.uk

Version 2 – February 2021

Responsibility	Name, telephone number and email addresses of responsible officers
Public Concern at Work (Independent whistleblowing charity)	Helpline: 020 7404 6609 E-mail: whistle@pcaw.co.uk Website: www.pcaw.co.uk
List of Prescribed Persons for external disclosures	https://www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies
In respect of criminal offences, it may be necessary to contact the Police.	Norfolk Constabulary: Emergency: 999 Non-Emergency: 101

Appendix C**Anti-Fraud, Bribery and Corruption Policy 2017-2019****Introduction**

This document sets out the Norfolk County Council (NCC) policy in preventing, detecting and where required dealing with identified or suspected fraud, bribery and corruption, and: provides the procedure on the reporting lines within NCC for such concerns to be raised.

NCC is committed to the eradication of fraud, bribery and corruption (including theft) and to the promotion of high standards of integrity. Fraud, Bribery and Corruption are not acceptable, and will not be tolerated. NCC will seek the appropriate disciplinary, regulatory, civil and/or criminal sanctions against fraudsters and where possible, will attempt to recover losses. The aim of this policy and response plan 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.

To meet its objectives and priorities in 'Caring for Norfolk', NCC has adopted the staged strategic approach detailed within the document: 'Fighting Fraud and Corruption Locally (FFCL), the local government counter fraud and corruption strategy 2016 - 2019':

- 1) **Govern:** having robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout NCC.
- 2) **Acknowledge:** acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.
- 3) **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.
- 4) **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.

NCC will endeavour to take all necessary steps to counter fraud, bribery and corruption (including theft) in accordance with guidance or advice issued by central government, the police service and other professional agencies and organisations such as; the Chartered Institute of Public Finance and Accountancy (CIPFA).

Further information on the activities undertaken by NCC in pursuance of the strategic goals can be found in the NCC Anti-Fraud, Bribery and Corruption Operational strategy (v2017).

Scope

This policy applies to all employees of NCC as well its members, contractors, suppliers, partners, consultants, wholly/partly owned companies and their subsidiaries, and external organisations

This policy also applies to members of the public and other parties who have a business relationship with NCC.

This policy relates to all forms of fraud, bribery and corruption (including theft) and is intended to provide assistance to all those who may identify any suspected criminal activity that has a financial implication on NCC's resources.

This policy, along with the NCC Anti-Fraud, Bribery and Corruption Operational Strategy (v2017) aims to:

- Provide a robust framework for responding to allegations of fraud, bribery and corruption and provide advice and information on various aspects of fraud and the implications of an investigation.
- Ensure a counter fraud, bribery and corruption culture is promoted and embedded across NCC's members, employees, consultants, suppliers, contractors, outside agencies and their employees, any other party that NCC is in a formal partnership relationship with including the wholly and partly owned companies.
- Ensure that any financial irregularity or suspected financial irregularity or allegation of fraud, bribery or corruption involving any of the stakeholders mentioned above is promptly reported via the correct reporting lines and investigated to a conclusion.
- Provide information to everyone within NCC about the risk of fraud, bribery corruption and promote an environment where staff feel able to raise concerns sensibly and responsibly and;
- Ensure the appropriate sanctions are considered following an investigation via a triple track approach, which may include any or all of the following:
 - Criminal prosecution;
 - Civil proceedings; and/or
 - Disciplinary action (including referrals to professional bodies and regulators)

So far as practical, this policy should be brought to the attention of all those mentioned above so as to enable the reporting of any concerns relating fraud, bribery and corruption in the appropriate manner.

Policy

All those mentioned within the scope of this policy have an explicit responsibility to protect the assets of the NCC, including all buildings, equipment and monies from fraud, bribery, corruption and theft.

NCC positively encourages anyone having a reasonable suspicion that fraud, bribery and/or corruption is occurring (which impacts NCC) to raise any concerns that they may have in accordance with this policy.

The NCC's Whistleblowing Policy, states that no individual will suffer any detrimental treatment as a result of reporting 'reasonably held' suspicions. NCC is committed to the enforcement of this policy and its provisions ('reasonably held' means suspicions other than those which are raised maliciously and are subsequently found to be groundless).

The Public Interest Disclosure Act 1998 came into force in July 1999 and gives statutory protection, within defined parameters, to staff members who make disclosures about a range of subjects, including fraud, bribery and corruption, which they believe to be happening within the organisation employing them.

Any disclosure made by an employee will count as a "qualifying disclosure" if the employee reasonably believes that the disclosure is both "made in the public interest" and fits into of the categories set out in Employment Rights Act 1996 as follows;

- (a) That a criminal offence has been committed, is being committed or is likely to be committed,
- (b) That a person has failed, is failing or is likely to fail to comply with any legal obligation to which he is subject,
- (c) That a miscarriage of justice has occurred, is occurring or is likely to occur,
- (d) That the health or safety of any individual has been, is being or is likely to be endangered,
- (e) That the environment has been, is being or is likely to be damaged, or
- (f) That information tending to show any matter falling within any one of the preceding paragraphs has been, is being or is likely to be deliberately concealed.

NCC will investigate all allegations of fraud, bribery and corruption and take appropriate action against those who are found to breach its policies and procedures, or have committed a criminal offence, including possible criminal prosecution. Additionally, NCC will take steps to recover any assets lost as a result.

Version 3 – March 2021

Malicious unfounded allegations may be subject to a full investigation and appropriate disciplinary action.

Anyone having reasonable suspicions that fraud, bribery or corruption has occurred (or may occur) should report it to the Chief Internal Auditor or Chief Legal Officer immediately so that a proper assessment of the allegation can be made and that appropriate investigation be undertaken by trained individuals.

Bribing anybody is absolutely prohibited. This means that you will not offer, promise, reward in any way, or give a financial or other advantage to any person in order to induce that person to perform his/her function or activities improperly. Similarly, you are not permitted to receive a financial or other advantage from any person in order to induce you to perform your function or activities improperly.

NCC procures goods and services ethically and transparently with quality, price and value for money determining the successful supplier/contractor, not by receiving (or offering) improper benefits. NCC will not engage in any form of bribery, neither in the UK nor abroad. NCC and all employees, irrelevant of their grade and position, shall at all times comply with the Bribery Act 2010 and with this policy. The use of intermediaries for the purpose of committing acts of bribery is prohibited.

Where NCC is engaged in commercial activity it could be considered guilty of a corporate bribery offence if an employee, agent, subsidiary or any other person acting on its behalf bribes another person intending to obtain or retain business or an advantage in the conduct of business for NCC and it cannot demonstrate that it has adequate procedures in place to prevent such. NCC does not tolerate any bribery on its behalf, even if this might result in a loss of business for it. Criminal liability must be prevented at all times.

Recovery of any losses will always be sought – see section on sanctions and redress.

Conflicts of Interest

All employees of NCC, as well its members must consider their personal or business commitments and, where they could have a perceived or direct interest on a matter or they may have some influence over a decision being taken by the Council, they must openly declare this interest and not participate in discussions about it, or be part of any decision making processes. The rules relating to the disclosure and registration of interests are set out in the Code of Conduct for employees, and the Code of Conduct for members.

Facilitation Payments

Facilitation payments are prohibited under the Bribery Act like any other form of bribe. They shall not be given or received by NCC, or by NCC members and employees whether working in the UK, or abroad.

Gifts and Hospitality

Courtesy gifts and hospitality must not be given or received in return for services provided or to obtain or retain business but shall be handled openly and unconditionally as a gesture of esteem and goodwill only. Gifts and hospitality shall always be of symbolic value only, appropriate and proportionate in the circumstances, and consistent with local customs and practices. They shall not be made in cash. Please refer to NCC's Standards of Conduct and Behaviour Policy (P319) and register for further guidance.

Under no circumstances should any gifts or hospitality be accepted from contractors or suppliers who are potential tenderers in the period leading up to the tendering and awarding of any contract by NCC.

Definitions**Fraud**

The Fraud Act 2006 came into force on 1 July 2007 and created three main criminal offences:

Fraud by false representation;
Fraud by failing to disclose information; and,
Fraud by abuse of position.

For fraud to occur it must be established that the offenders conduct is dishonest, and it is their intention to make a gain, or cause a loss (or the risk of a loss) to another.

Upon conviction, offences of fraud carry a maximum sentence of 10 years imprisonment.

Bribery and corruption

The Bribery Act 2010 reformed criminal law regarding bribery related offences, making it easier to tackle this offence proactively in both the public and private sectors. Four main offences of bribery were created as a result of the act:

- Offence of bribing another person
Offence of being bribed
- Bribery of foreign public officials
- Failure of commercial organisations to prevent bribery

The corporate offence of failure to prevent bribery means that commercial organisations (including public organisation's wholly owned companies, subsidiary companies, and traded services) and their boards may be exposed to criminal liability if it is found that adequate procedures to prevent bribery have not been implemented.

Version 3 – March 2021

Bribery is generally defined as giving or offering someone a financial or other advantage to encourage that person to perform their functions or activities improperly or; to reward that person for having already done so; or requesting, agreeing to receive or accepting the advantage offered.

Upon conviction, offences of bribery carry a maximum sentence of 10 years imprisonment and unlimited fines.

It is a common law offence of bribery to bribe the holder of a public office and it is similarly an offence for the office holder to accept a bribe.

Bribery prosecutions tend to be most commonly brought using specific pieces of legislation dealing with bribery, i.e. under the following:

- Bribery Act 2010
- The Anti-terrorism, Crime and Security Act 2001.

Public Service Values

All those who work for or are in contract with NCC and its members should exercise the following when undertaking their duties:

<i>Selflessness</i>	Should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family or their friends.
<i>Integrity</i>	Should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
<i>Objectivity</i>	Should, in carrying out public business, (including making public appointments, awarding contracts, or recommending individuals for rewards and benefits), make choices on merit.
<i>Accountability</i>	Are accountable for their decisions and actions to the public and must submit them to whatever scrutiny is appropriate to their office.
<i>Openness</i>	Should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest demands.
<i>Honesty</i>	Have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership Should promote and support these principles by leadership and example.

These standards are national benchmarks that support NCC policies and procedures.

Roles and Responsibilities

Elected Members: Required to support and promote the development of a strong Anti-fraud, bribery and corruption culture by working to promote NCC's zero tolerance approach to tackling financial crime and:

- Keep up to date with relevant legislation and responsibilities related to fraud, bribery and corruption.
- Raise matters of concern that may come to their attention.
- Encourage the public to report concerns
- Pass on concerns raised by the public to the appropriate personnel.
- Participate in relevant reviews, disciplinary hearings or appeals as required.

Audit Committee: To have oversight of the anti-fraud and corruption arrangements including the strategy, policies and any associated guidance. Review, consider, approve and monitor the strategy and consider the adequacy and effectiveness of the arrangements for anti-fraud, Bribery, Corruption and Whistleblowing.

Managing Director: (Including NCC Companies): Has overall accountability for the effectiveness of the Council's arrangements for countering fraud, bribery, corruption, and theft.

Section 151 Officer: Required by the Local Government Act 1972, the Section 151 Officer is nominated to take responsibility for making arrangements for the proper administration of a local authority's financial affairs, including anti-fraud and corruption strategies and measures. Norfolk County Council's Section 151 Officer is the Executive Director of Finance and Commercial Services.

Monitoring Officer (Chief Legal Officer): To advise Councillors and officers on ethical issues, standards and powers to ensure that the Council operates within the Law and statutory Codes of Practice. Assisted by advice from the Chief Internal Auditor to lead on the promotion of the Strategy including training and publicity. To review the Strategy as required and report annually to the Audit Committee.

Chief Internal Auditor: To support and advise the Chief Legal Officer in respect of the internal audit function and; include an assurance statement on Anti-Fraud, Bribery and Corruption controls in the Annual Report to the Audit Committee. To develop on-going measuring and monitoring techniques to evaluate, remedy and continuously improve fraud, bribery and corruption prevention and

Version 3 – March 2021

detection. The measurable criteria and results are to be reported to the Audit Committee. To ensure that anti-fraud and corruption work is risk assessed and adequately staffed. To risk assess allegations as they arise and investigate where appropriate

Norfolk Audit Services (NAS): Responsible for implementing the NCC Operational Strategy and investigating any fraud, bribery and corruption issues. To monitor, action and respond to whistle blowers as required. To ensure that all suspected or reported irregularities are dealt with promptly and in accordance with this policy and that action is identified to improve controls and reduce the risk of recurrence. To report on Anti-Fraud and Corruption arrangements to the Audit Committee on an annual basis

Human Resources (HR): Will liaise closely with Managers and Internal Audit from the outset, where an employee is suspected of being involved in fraud, Bribery, Corruption or Theft in accordance with the NCC Disciplinary Policy and Disciplinary Action Review Group (DARG) Guidance. The HR Department shall advise those involved in the investigation in matters of employment law and in other procedural matters, such as disciplinary and complaints procedures. Close liaison between NAS and HR will be essential to ensure that any parallel sanctions (i.e. criminal and disciplinary) are applied appropriately, effectively and in a coordinated manner.

Managers: To promote employee awareness and ensure that all suspected or reported irregularities are immediately referred to Internal Audit or Chief Legal Officer. To ensure that there are mechanisms in place within their service areas to assess the risk of fraud, corruption, theft or bribery and to reduce these risks by implementing robust internal controls and monitoring these controls. To report suspicions or incidents promptly.

Employees: To comply with Council policies and procedures, to be aware of the possibility of fraud, bribery corruption or theft and to report promptly any genuine concerns to Chief Internal Auditor, the Chief Legal Officer, the Managing Director or the Executive Director of Finance and Commercial Services.

Members of the Public, Partners, Owned Companies, Suppliers, and Contractors & Consultants: To report any genuine concerns or suspicions relating to fraud, bribery, corruption or theft to NCC.

External Audit: Any incident or suspicion that comes to External Audit's attention will be passed immediately to Chief Legal Officer.

Information Management and Technology: The Head of IM&T will contact the NAS in all cases where there is suspicion that IT is being used for fraudulent purposes. This includes inappropriate internet/intranet, e-mail, telephone, PDA use and any offence under the Computer Misuse Act 1990.

Version 3 – March 2021

Human Resources will be informed if there is a suspicion that an employee is involved.

The Response Plan

This section outlines the action to be taken where fraud, bribery or other illegal acts involving dishonesty, inappropriate Internet use, or damage to property are discovered or suspected. For completeness, it also deals with the action to be taken where theft is discovered or suspected.

Investigation of the majority cases of alleged fraud, bribery or corruption reported will be the responsibility of NAS. NAS will regularly report to the Chief Legal Officer on the progress of an investigation.

Through the DARG guidance NAS, along with Human Resources and the Chief Legal Officer (or nominated person) will decide who will conduct the investigation and when/if referral to the police is required (with the agreement of the Managing Director).

Reporting fraud, bribery or corruption

If any of the concerns mentioned in this document come to the attention of a member, employee or any other person associated with NCC, they should report it to the **Chief Internal Auditor** or **Chief Legal Officer immediately**. Employees can also call the NCC Whistleblowing line on 01603 224433 as an alternative to internal reporting procedures if staff wish to remain anonymous. This provides an easily accessible route for the reporting of genuine suspicions of fraud within or affecting NCC. It allows NCC staff members who are unsure of internal reporting procedures to report their concerns in the strictest confidence.

Contact information for the above is listed in Appendix A.

Any allegations of fraud, corruption, theft or bribery made against our Members will be fully investigated in accordance with the provisions of the Local Government Act 2000 and any subsequent statute or codes of practice.

Following an appropriate investigation, the Standards Committee is responsible for the initial assessment into Members misconduct.

The Council will fully assist the Standards Committee or other law enforcement agencies with any investigation concerning a Member.

Allegations about Members that are received by Internal Audit will be referred immediately to the Monitoring Officer. The Monitoring Officer may utilise Internal Audit for the purposes of any investigation relating to financial matters.

Anonymous letters, telephone calls etc. are received from time to time from individuals who wish to raise matters of concern, but not through official channels.

Version 3 – March 2021

While the allegations may be erroneous or unsubstantiated, they may also reflect a genuine cause for concern and should always be taken seriously.

Sufficient enquiries will be made by NAS to establish whether or not there is any foundation to the allegations. If the allegations are found to be malicious, they will also be considered for further investigation as to their source.

For all of NCC's wholly or partly owned companies it is the responsibility of managers to establish and maintain systems of internal control and to ensure that the Council's resources are properly applied.

Any allegations of fraud, corruption, theft or bribery made against the employees of wholly or partly owned companies will be fully investigated in accordance with disciplinary procedures, statute or codes of practice. Following an appropriate investigation, the company's Managing Director or equivalent is responsible for the initial assessment into employee misconduct.

For external organisations and members of the public, any matters that are raised will be considered and if appropriate formally investigated or referred to the Police.

External Communications: Individuals (be they members, employees, agency staff, contractors or suppliers) must not communicate with any member of the press, media or another third party about a suspected fraud as this may seriously damage the investigation and any subsequent actions to be taken. Anyone who wishes to raise such issues should discuss the matter with either the Managing Director or Chief Legal Officer.

Training: NCC will provide training to all relevant employees on a periodical basis to make them aware of our Anti-Fraud and Bribery and Corruption Policy and guidelines, including how employees may report suspicion. Further information can be found in the NCC Operational Strategy (v2017).

Sanction and Redress

In cases of fraud, bribery, corruption and theft, separate or coinciding sanctions may be applied. For example:

- Disciplinary action relating to the conduct of an employee may be instigated alongside the use of civil law to recover lost funds; and
- The use of criminal law to apply an appropriate criminal penalty upon an individual may be used alongside disciplinary action - if appropriate. (This list is non-exhaustive).

Disciplinary procedures will be initiated where an employee is suspected of being involved in a fraudulent or illegal act. The appropriate senior manager, in conjunction with the HR department, will be responsible for initiating any necessary disciplinary action. Arrangements may be made to recover losses via payroll if the subject is still employed by NCC. In all cases, current legislation must be complied with.

The civil recovery route is also available to NCC if this is cost-effective and desirable for deterrence purposes. This could involve a number of options such as applying through the Small Claims Court. Each case needs to be discussed with Chief Legal Officer to determine the most appropriate action.

Criminal investigations are primarily used for dealing with any criminal activity. The main purpose is to determine if activity was undertaken with criminal intent. Following such an investigation, it may be necessary to bring this activity to the attention of the police. Outcomes can range from a criminal conviction to fines and imprisonment.

The seeking of financial redress or recovery of losses will always be considered in cases of fraud or bribery that are investigated by NAS or NCC where a loss is identified. Redress can take the form of confiscation and compensation orders, a civil order for repayment, or a local agreement between the organisation and the offender to repay monies lost. The decisions for redress will be taken in the light of the particular circumstances of each case.

Redress allows resources that are lost to fraud and bribery to be returned to the NCC for use as intended, for provision of high-quality public services. Depending on the extent of the loss and the proceedings in the case, it may be suitable for the recovery of losses to be considered under Proceeds of Crime Act 2002 (POCA). This means that a person's money or assets are taken away from them if it is believed that the person benefited from the crime. It could also include restraining assets during the course of the investigation. When considering seeking redress recovery may also be sought from on-going salary payments or pensions.

When taking into consideration all the facts of a case, it may be that (upon agreement with the Chief Legal Officer and Managing Director) in some cases NCC decides that no further recovery action is taken.

Review of the Policy

This policy will be reviewed by NAS every two years or sooner depending on legislative changes.

Additional Information

Any abuse or non-compliance with this policy or procedures may be subject to investigation and appropriate disciplinary action.

Related Documents

NCC Anti-Fraud, Bribery and Corruption Operational Strategy - (v2017)
Whistleblowing Policy
Standards of Business Conduct Policy
Disciplinary Policies and Guidance
Constitution

Appendix A - Reporting Concerns
What to do:

If any of these concerns come to light you must immediately report your suspicions and what you have discovered to one of the following:

Name	Email	Telephone number
Adrian Thompson Chief Internal Auditor	adrian.thompson@norfolk.gov.uk	01603 303395
Helen Edwards Director of Governance	helen.edwards2@norfolk.gov.uk	01603 222971
Whistleblowing Hotline	reportconcerns@norfolk.gov.uk	01603 224433

Audit Committee

Item No. 13

Report title:	Work Programme
Date of meeting:	22 April 2021
Responsible Cabinet Member:	Not applicable
Responsible Director:	Simon George, Executive Director of Finance and Commercial Services
Is this a key decision?	No
<p>Executive Summary</p> <p>The Committee's work fulfils its Terms of Reference as set out in the Council's Constitution and agreed by the Council. The terms of reference fulfil the relevant regulatory requirements of the Council for Accounts and Audit matters, including risk management, internal control and good governance.</p> <p>Recommendations</p> <p>The Audit Committee are asked to consider and agree:</p> <ul style="list-style-type: none"> • 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. Proposals

- 2.1. The proposed work is set out in the tables below:

July 2021	
Census 2021 – Briefing for the Committee	Executive Director, Finance and Commercial Services
NAS Quarterly Report Quarter ended June 2021	Executive Director, Finance and Commercial Services
Annual Risk Management Report 2020-21	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Strategy and Whistleblowing Update	Director of Governance
Monitoring Officer's Annual report 2020-21	Director of Governance
SIRO Annual report 20-2021	Director of Governance

Norfolk Pension Fund Governance Arrangements	Executive Director, Finance and Commercial Services
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September/October 2021	
Annual Statement of Accounts and Annual Governance Statement 2020-21	Executive Director, Finance and Commercial Services
External Auditor Report/Letters of Representation	Executive Director, Finance and Commercial Services
Norfolk Audit Services' Terms of Reference	Executive Director, Finance and Commercial Services
NAS Quarterly Report Quarter ended September 2021	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Strategy and Whistleblowing Update	Chief Legal Officer

January 2022	
Risk Management Report	Executive Director, Finance and Commercial Services
NAS Quarterly Report Quarter ended December 2021	Executive Director, Finance and Commercial Services
Internal Audit Strategy, Approach, Strategic Plan and Internal Audit Plan for 2022-23	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services

April 2022	
NAS Quarterly Report Quarter ended March 2022	Executive Director, Finance and Commercial Services
Risk Management Report	Executive Director, Finance and Commercial Services
Risk Management Annual Report 2020-21	Executive Director, Finance and Commercial Services
Audit Committee Work Programme	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Strategy and Whistleblowing Update	Chief Legal Officer
Insurance Annual Report 2021-22	Executive Director, Finance and Commercial Services
Norfolk Audit Services Annual Report 2021-22 (including Quarter ended April 2022)	Executive Director, Finance and Commercial Services

Audit Committee – Terms of Reference	Executive Director, Finance and Commercial Services
Anti-Fraud and Corruption Strategy and Whistleblowing Update and Anti-Fraud and Corruption Annual Report 2021-22	Director of Governance

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. 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 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. Health and Safety implications (where appropriate)

There are no health and safety implications

8.5. Sustainability implications (where appropriate)

There are no sustainability 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. Recommendation

11.1 See Action Required in the Executive Summary above.

12. Background Papers

12.1 None.

Officer Contact

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

Officer name : Adrian Thompson

Tel No. : 01603 303395

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



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