

# Audit Committee

Date: **Monday 24 June 2013**

Time: **2pm**

Venue: **Colman Room, County Hall, Norwich**

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

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

## A g e n d a

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

**2 Election of Chairman**

**3 Election of Vice-Chairman**

**4 Minutes**

To confirm the minutes of the meeting held on 25 April 2013

(Page **4**)

**5 Members to Declare any Interests**

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

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

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

If you do not have a Disclosable Pecuniary Interest you may nevertheless have an **Other Interest** in a matter to be discussed if it affects

- your well being or financial position
- that of your family or close friends
- that of a club or society in which you have a management role
- that of another public body of which you are a member to a greater extent than others in your ward.

If that is the case then you must declare such an interest but can speak and vote on the matter.

- |           |  |                   |
|-----------|--|-------------------|
| <b>6</b>  | <b>To receive any items of business which the Chairman decides should be considered as a matter of urgency</b>                   |                   |
| <b>7</b>  | <b>Monitoring Officer's Annual Report 2012/13</b><br>Report by the Head of Law and Monitoring Officer                            | <b>(Page 15)</b>  |
| <b>8</b>  | <b>External Audit - Understanding How the Audit Committee Gains Assurance From Management</b><br>Report by the External Auditors | <b>(Page 24)</b>  |
| <b>9</b>  | <b>External Audit Norfolk Pension Fund Draft Audit Plan 2012/13</b><br>Report by the External Auditors                           | <b>(Page 28)</b>  |
| <b>10</b> | <b>Risk Management Report (First Quarter 2013/14)</b><br>Report by the Chief Internal Auditor                                    | <b>(Page 46)</b>  |
| <b>11</b> | <b>Norfolk Audit Services Quarterly Report for the Quarter ended 31 March 2013</b><br>Report by Chief Internal Auditor           | <b>(Page 64 )</b> |
| <b>12</b> | <b>Norfolk Audit Services - Annual Internal Audit Report 2012-13</b><br>Report by Head of Finance                                | <b>(Page 74)</b>  |
| <b>13</b> | <b>Internal Audit Plan 2013-14 for Quarter 3</b><br>Report by Head of Finance  | <b>(Page 92)</b>  |
| <b>14</b> | <b>Anti-Fraud and Corruption Update</b><br>Report by the Practice Director NP Law  | <b>(Page 103)</b> |
| <b>15</b> | <b>Statement of Accounts</b><br>Verbal update report by the Chief Internal Auditor.  |                   |
| <b>16</b> | <b>Work Programme.</b><br>Report by the Head of Finance  | <b>(Page 114)</b> |

**Chris Walton**  
**Head of Democratic Services**  
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Date Agenda Published: 14 June 2013



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## **Audit Committee**

### **Minutes of the Meeting held on 25 April 2013**

#### **Present:**

Mr M Brindle  
Mr A Gunson  
Mr S Little  
Mrs J Murphy  
Mr R Rockcliffe  
Mr R Smith (Chairman)  
Mr T Williams

#### **Officers Present:**

Mr S Andreassen	Strategic Risk Manager
Mr H Bullen	Head of Budgeting and Financial Management
Mr P King	Ernst & Young (External Auditor)
Mr R Murray	Ernst & Young (External Auditor)
Mr S Rayner	Strategic Risk Manager
Mr A Thompson	Chief Internal Auditor
Mrs J Mortimer	Committee Officer

#### **1 Apologies for Absence**

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

#### **2 Minutes**

- 2.1 The minutes of the meeting held on 31 January 2013 were agreed as a correct record and signed by the Chairman, subject to the following amendments:

Paragraph 10.3 to be amended to read: "**A question was asked about the desirability for carrying out spot checks and it was confirmed that** audit visits were notified visits and they went over transactions at a school in the past year. It was felt **by the Chief Internal Auditor** that there was no need to do spot checks as they would be unnecessary and too disruptive.

Paragraph 10.5, amend the last sentence to read "..... so the feedback **from** this exercise should be included in the next quarterly report."

Paragraph 11.1, second bullet point to be amended to read: "There were controls over new staff transferring in from services subject to audit so that they were not auditing those areas for that year, **or as required on a case by case basis**". **A protocol was in place and would be circulated to the Committee.**

## 2.2 Matters Arising

At the last meeting the Committee noted that a report had been submitted to the Chief Executive regarding the intruder who had accessed the building. Following this report, Norfolk County Council had reviewed its security arrangements and put in place some actions to improve security. Additional security guards would be available at events booked by outside organisations who were using the committee suite. A review would take place of the swipe card system in the near future and staff received regular reminders about the clear desk policy and also about ensuring any confidential information was locked away at all times when an office was not being used.

The Committee noted that progress had been made following the security breach and asked that a regular reminder be issued every six months to remind staff about the security and clear desk policies.

The security of all sites was kept under constant review and risk assessments would be reviewed regularly to ensure a high level of security was maintained.

## 3 Declarations of Interest

- 3.1 Mr Williams declared a disclosable pecuniary interest as a non-executive Director of Norse.  
Mrs Murphy declared a disclosable pecuniary interest as a member of the Shareholder committee.  
Mr Brindle declared a disclosable pecuniary interest as he was in receipt of a teacher's pension and his wife was in receipt of a Norfolk County Council pension.  
Mr Little declared an Other Interest as he was the Chairman of the Audit Committee at Norwich City Council and his wife worked for the Museums Service.

## 4 Matters of Urgent Business

- 4.1 There were no matters of urgent business.

## 5 Risk Management Report (4<sup>th</sup> Quarter 2012/13).

- 5.1 The Committee received the annexed report (5) by the Head of Finance providing the Committee with an update of the Corporate Risk Register and other related matters following the latest quarterly review conducted during the fourth quarter of 2012/13. The update also included details of seventeen risks proposed for inclusion within the Corporate Risk Register.
- 5.2 The Committee was asked to note the changes to the risk register; comment on the seventeen corporate risks; consider if any further action was required and note that the arrangements for risk management were acceptable and fulfilled Norfolk County Council's "Well Managed Risk – Management of Risk Framework".
- 5.3 The following points were noted during the ensuing discussion:
- Discussions were taking place with Environment, Transport and Development (ETD) to determine the risks around flooding and climate

change. Once the risks had been identified by the Environment and Waste management group they would be added to the corporate risk register. The discussions had included topics such as licensing arrangements and new drainage works associated with new housing developments and planning permissions. As Norfolk County Council was the lead authority for flooding and climate change it was working with the other agencies in an attempt to minimise the problems associated with flooding.

- The Audit Committee was considering this risk as it had been judged to be a corporate risk. A lot of work was being carried out within various departments and schools within flood risk areas on flood mitigation. All the risks sat within ETD and it was confirmed Business Continuity and Emergency Planning Plans were in place to ensure that resilience risks were taken into account.
- With regard to flood management, Fire and Rescue had recently purchased some all terrain vehicles which they would be able to use in flooded areas and Members were pleased to note there was lots of work being done in Norfolk to deal with flooding should it occur.
- NORMIT was able to provide advice to various sectors throughout the county, including what to do in the event of failures in IT, power, fuel, etc. The Committee recognised this good work and requested this work be allowed to continue.
- There was no data available as yet about carbon management and reduction although it was noted that ETD, Children's Services and Norfolk Fire and Rescue Service have a carbon reduction type risk on their high level risk registers and all considered this type of risk at their Board and Senior Management team meetings when these registers are reported, including ways of making economic savings regarding fuel, etc.
- Regarding Risk RM14025 'Failure to deliver planned budget savings in 2012/13'. Where savings had not been achieved, these were balanced by underspends on other budgets. Sometimes it took longer than originally planned to deliver the budget savings and this was taken into account when setting the following years budget. Good financial management ensured the organisation remained financially resilient.
- With regard to RM0199 'Failure to divert waste from landfill' which had been shown as red on the risk register, it was explained that there was still recyclable/compostable materials in the residual waste stream. Food waste was recognised as a big issue as not every district council was carrying out food waste collections. It was noted that King's Lynn and West Norfolk Borough Council, as a waste collection authority, may decide to withdraw waste for recycling with the consent of the County Council, as Waste Disposal Authority and following a question about the risk to us if they did withdraw their services, it was confirmed that King's Lynn and West Norfolk Borough Council needed to demonstrate they could actually recycle the waste, before the County Council would consider giving its consent.

5.4 **RESOLVED to:**

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

**6 Financial Regulations**

6.1 The Committee received the annexed report (6) by the Head of Finance, recommending updates to the Financial Regulations of the County Council. The Committee was asked to recommend the draft financial Regulations to Cabinet, for final approval by full Council subject to any amendments they considered necessary.

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

- Under the delegated scheme schools were able to set their own parameters for virement between budget heads in the expenditure of their budget. Norfolk County Council had responsibility to ensure schools managed their funds well and paragraph 3.6.2 of the report had been included to highlight that schools had different rules and arrangements which had been approved by the Schools Forum.
- Regarding the treatment of year-end balances, the wording in the Regulations had been amended to reflect the custom and practice of what had actually taken place in the past as the Cabinet was responsible for agreeing the procedures for the carry forward of any under and overspends at the year end, which was then recommended to full Council for approval.
- As part of the induction process for new Councillors following the election on 2 May, the full responsibilities of officers and elected members would be explained and emphasised.

6.3 **RESOLVED to**

- Recommend the draft Financial Regulations to Cabinet, for final approval by full Council.

**7 Six Month Internal Audit Plan 2013-14**

7.1 The annexed report by the Head of Finance introduced and set out the proposed six month Internal Audit plan for quarters 1 and 2 of 2013-14 in Appendix A and B1, and outline of the remainder of the year in Appendix B2 and notes for audits in quarters 1 and 2 in Appendix C. The Committee was asked to consider the proposed plan which met relevant audit standards and had balanced the audit needs against the resources available.

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

- A series of Direct Payments audits had taken place and this audit would pick up the risk of the safeguarding of service users in receipt of direct payments, particularly around evaluating controls in the first instance and how the situation could be investigated if a problem was identified.
- Contractor time had been included in the plan under Appendix B1 (Undertaking audit work to support the internal audit opinion). *[Subsequent to the meeting the Chief Internal Auditor realised that this was not the case and circulated a note to the Committee, explaining how this work was picked up. A copy of the note is attached at appendix B to these minutes].*
- The difference in the hours between Q1 and Q2 and the rest of the year was due to the phased work that needed to take place in order to plan and prepare for the audit. The second half of the year had a larger impact than the first half of the year due to the summer holidays, staff annual leave and staff who worked term time only.
- The Chief Internal Auditor agreed to circulate details of the external client's phased work. One external client was the Pension Fund who would inform Internal Audit when the most suitable time was for them to have their audit.
- Mr R Murray from Ernst Young confirmed that the reduction in equivalent audit hours would still meet the requirements for External Audit's purposes.
- The Audit Team had embraced different ways of working and had been steadily reducing the amount of time spent on audit work. The team audited the topics that had the highest priority and the perceived highest risk in the first instance rather than auditing everything which they had done in the past. The Head of Finance had confirmed he was happy with that approach and the situation was monitored very closely, with the Chief Internal Auditor giving his assurance that audit coverage was given where it was most needed.
- With regard to Anti-Fraud and Corruption's increase in planned days, the National Fraud Authority had provided prescriptive guidance with the Head of Law sponsoring and championing the Anti-Fraud and Corruption strategy, supported by the Internal Audit Team.

### 7.3 **RESOLVED to:**

- Note that 840 days were proposed for the initial six month internal audit plan, being a proportion of the overall 1,840 days (1,990 equivalent days in 2012-13) of available audit days for the Council's 2013-14 annual internal audit plan as set out in the approach document approved by the Audit Committee on 31 January 2013.
- Note that the proposed audit plan met the legislative requirement of the Accounts and Audit (England) Regulations (2011).
- Confirm the allocation of 840 days set out in Appendix A of the report to meet the various elements of the strategy approved by the audit Committee on 31 January 2013.



- to note the outline topics in Appendix B2 to deliver the audit work to support the opinion.
- Note that the internal audit plan for Quarters 1 and 2 of 2013-14 made adequate provision for the risks arising from organisational change, the economic downturn and that resources are sufficient to accomplish the plan.

## **8 Norfolk Audit Services – Quarterly Report for the Quarter ended 31 December 2012.**

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

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

- In planning audits and checking the management systems, the departmental Chief Officer was responsible for making arrangements for internal controls for prevention and detection for fraud.
- If a case of fraud was suspected, or alleged, the Internal Audit Team had the right to access any records and seize any papers and make any challenges as necessary.
- No spot checks were carried out as a matter of routine and it was not the policy of the Internal Audit Team to make unannounced visits.
- The audit plan indicated where the team were carrying out their audits and the topics they were covering.
- Schools were notified one term in advance of an audit, so even though there was not much notice, they did receive notice.
- If members requested the Internal Audit Team to carry out spot checks of cash floats on a risk assessed basis, this could be done.

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

- The key issues surrounding imprest accounts was where it was found these were not being used for the purposes they were supposed to be used for.
- The Chief Internal Auditor confirmed that the problems in the past in the management of the Highways Agency Agreement had now been resolved and no significant problems or issues had been identified recently.
- Although there were only two high schools on the list at Appendix A of the report, the Chief Internal Auditor confirmed that high schools had been prioritised and the Audit Committee had previously received titles of those audits.
- Schools were prioritised using a Red, Amber and Green rating system, and this rating appeared to work very well. The red, amber, green system was based on a range of information maintained by Children's Services and included schools finance information and whether they returned requested

information on time, their reserves and balances.

- Some members of the Committee expressed their preference for carrying out spot checks on the clear desk policy. The Chief Internal Auditor confirmed that a follow up to the clear desk policy, spot checks had been carried out at the request of the Chief Officer Group (COG), although the results had not yet been reported back to COG.
- The Chief Internal Auditor confirmed that spot checks would be carried out if it was felt appropriate, although the culture was of trust in staff.
- The Committee requested that as the Internal Audit Team had the powers to carry out spot checks, the next quarterly report indicate areas where possible spot checks may be appropriate.
- Internal Audit did keep a watching brief on the improvement plan in Children's Services and any area where action was felt necessary by the departmental management team, Chief Officer Group or Councillors would be looked at further, although it was felt Internal Audit could not bring any additional assurance to the scrutiny already taking place.

8.4 It was **RESOLVED** to :

- note the overall opinion on the effectiveness of risk management and internal control being "acceptable" and therefore considered "Sound".

## **9 Work Programme**

The annexed report by the Head of Finance was received by the Committee. The Committee was asked to consider the programme as set out within the report.

9.1 During the presentation of the report, the Head of Budgeting and Financial Management confirmed that the early stages of the 2012/13 year-end was well under way, with departments currently finalising their entries. He confirmed that he was not aware of any issues, although he was mindful that he had not yet seen the final figures. He confirmed that the draft accounts should be available for the Audit Committee meeting in June 2013.

9.2 It was **RESOLVED** to note the report

## **10 Audit Commission's "Striking a Balance 2012" – An Assessment**

10.1 The Committee received the annexed report by the Head of Finance. The report updated the Committee on the Audit Commission's 'Striking a Balance 2012' report and asked the Committee to consider the questions posed to members in that document and whether there were any lessons to be learned.

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

- The level of reserves was considered by Cabinet at every meeting.

- Norfolk County Council was a large organisation and reserves helped them to meet their financial challenges with a sustainable management approach being taken to ensure an adequate level of reserves was maintained.
- As the risks around reserves changed, regular monitoring was carried out to ensure all the risks were considered.
- All the money allocated in the reserves was earmarked for specific projects, risks or funding to smooth expenditure over financial years.
- Norfolk County Council did not hold any contingency funds to cover unplanned costs.

10.3 **RESOLVED** to note the report and in particular that there were no specific lessons to be learned.

## 11 External Audit – Audit Plan 2012-2013

11.1 The annexed report by the Head of Finance was received by the Committee. The report introduced the External Auditor's Audit Plan at Appendix A and highlighted the changes since the previous external audit plan.

The Committee was asked to consider the External Auditor's Plan and whether there were any other matters which may influence their audit.

11.2 In presenting the report, Rob Murray from Ernst Young drew the Committee's attention to the following.

- The fees in appendix A had reduced considerably with the subsequent reduction in audit fees as a result of outsourcing the Audit Practice.
- A small additional fee for Norse consolidation still needed to be agreed and this information would be reported to the committee at their September 2013 meeting.

11.3 The following responses were given to questions from the Committee:

- The additional work identified on page 148 of the report was as a result of the increase in the size of the Norse Group and the materiality of the finances which in turn had increased the required testing and coordination with their auditors Grant Thornton. These changes led to the scoping and delivery taking additional time to complete. The situation was slightly compounded due to Norse Group having a different accounting year end to Norfolk County Council.
- Norse Group having a different year end to Norfolk County Council did cause some issues. Norse Group had been asked to consider moving Norse Group year end to March so it was coterminous with Norfolk County Council. In the past the January figures had been used in the Norfolk County Council year end figures, but due to the size of the Norse Group it was felt that they should now work towards being coterminous. It was hoped this could be achieved by April 2015.

- The growth of Norse was due to many different strands of their business, not just due to Norse Care having recently purchased care homes from the County Council. Norse Group continued to expand and acquire new business assets.
- The number of schools transferring to academies was continuing rapidly and was likely to continue over the next year.
- When schools transferred to academies there was a process in place to ensure this was accounted for in the accounts in future years. This process was double-checked and no issues were expected.
- Property disposed of under a 125 year lease to an Academy was deemed to be sold although no cash had changed hands.
- No further information was available yet on the progress of the Local Audit Bill.

11.4 **RESOLVED** to agree the report and the External Audit Plan for the year ended 31 March 2013.

The meeting ended at 4.05pm

#### CHAIRMAN



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**Audit Committee  
25 April 2013**

<b>Agenda Item Number</b>	<b>Report Title</b>	<b>Action</b>	<b>By Whom</b>	<b>Deadline for reply to Democratic Support</b>
2	Minutes from the meeting held on 31 January 2013.	Paragraph 11.1. A copy of the protocol around the controls over new staff transferring in from other services subject to audit so they were not auditing those areas for that year to be circulated to the Committee.	Chief Internal Auditor	
7	Six month Internal Audit Plan 2013-14.	The Chief Internal Auditor agreed to circulate details of the external clients phased work. One external client was the Pension Fund who would inform Internal Audit when the most suitable time was for them to have their audit.	Chief Internal Auditor	

### **7.2 – Update from the Chief Internal Auditor on whether Contractor time had been included in the plan under Appendix B (Undertaking audit work to support the internal audit opinion).**

Dear Member,

At the last Audit Committee, when presenting the Internal Audit Plan (Item 7) I was asked if the Audit Work to support the Audit Opinion at Appendix B1 included contractor time. I need to correct the information I provided at the Committee. The Audit Work figure did include staff time to manage the contractor time but not the contractor days themselves.

This year's plan was focussed on the days provided by our own staff, being the 1,840 days, as shown in Appendix A. The equivalent staff days value for last year was therefore 1,900 days. That means a reduction of 60 days year on year. The 90 days was added back to the 2012-13 plan figures to reconcile to last year's headline days.

We have a notional budget for contractor time in 2013-14 of £25,000. This is usually split £15,000 for ICT audits and £10,000 for Health and Safety. The number of days that contractors are procured for can depend on the complexity of the topic and the relevant rate for the required expertise. The ICT Audit Plan for 2013-14 was set out in the January Audit Committee papers at Item 13's Appendix Di, linked here: <http://www.norfolk.gov.uk/view/audit310113item13pdf> This year's contractor days are expected to be less than the 90 days allowed in the plan last year.

I will reference and include Contractor time details in future audit internal audit plan reports.

I hope this is helpful. Thank you.

#### **Adrian Thompson**

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**Monitoring Officer's Annual Report 2012/13**

**Report by the Head of Law and Monitoring Officer**

The Monitoring Officer's Annual Report summarises the internal governance work carried out in 2012/13 and provides assurance that the organisation's control environment, in the areas which are the responsibility of the Monitoring Officer, is adequate and effective. This annual report supports the assurance statements included in the draft Annual Governance Statement for 2012/13, a draft of which is also before the Audit Committee today (the "Annual Governance Statement").

The Audit Committee is requested to note the contents of the report.

**1 Introduction and background**

- 1.1 The Practice Director for nplaw is also the Council's Head of Law and statutory Monitoring Officer.
- 1.2 The Monitoring Officer's Annual Report for 2012/13 supports assurance statements included in the draft Annual Governance Statement. It provides a review of the Monitoring Officer's work as part of the Council's governance arrangements and system of internal control.
- 1.3 The chief responsibilities of the Monitoring Officer, contained in the Monitoring Officer Protocol at Appendix 26 to the Constitution, can be summarised as follows:-
  - (a) a duty to report to the Council and the Executive in any case where the Monitoring Officer is of the opinion that any proposal or decision is or is likely to be illegal or to constitute maladministration. These matters are referred to in the Protocol as "reportable incidents";
  - (b) a range of functions relating to Member conduct; and
  - (c) specific functions under the Council's Constitution.
- 1.4 The ability of the Monitoring Officer to undertake this role effectively depends on excellent working relations with colleagues and Members and on the flow of information and access to debate particularly at early stages. The scope of the work also extends to joint arrangements.

**2 Monitoring Officer Annual Report 2012/13**

- 2.1 The key messages in the attached report include:
  - that there have been no 'reportable incidents' during the period 2012/13;

- that the systems of internal control administered by the Monitoring Officer including the Code of Corporate Governance and the Council's Constitution, were adequate and effective during 2012/13 for the purposes of the latest regulations; and
- that the Monitoring Officer has met regularly with the pre Localism Act Standards Committee, chaired by an Independent Chairman, prior to the introduction of the new regulations relating to standards from 1 July 2012, and thereafter with the post Localism Act politically balanced Standards Committee. The following have been considered in particular (i) the proposed changes to the Standards Regime that have now been introduced through the Localism Act 2011, (ii) specific complaints in relation to Member conduct and (iii) the annual report of the Standards Committee to Council.

### **3 Section 17 Crime and Disorder Act**

- 3.1 Under section 17 of the Crime and Disorder Act the Council has a statutory general duty to take account of the crime and disorder implications of all of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.
- 3.2 The Monitoring Officer's work helps to deter crime, and/or make crime difficult, increasing the likelihood of detection and prosecution and thereby disincentivising crime.

### **4 Any other implications**

- 4.1 Officers have considered all the implications which Members should be aware of. Apart from those listed in the report, there are no other implications to take into account.

### **5 Recommendation**

- 5.1 It is recommended that the Audit Committee should consider the Monitoring Officer's Annual Report for 2012/13 and in particular the key messages at paragraph 2.1.

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# **Monitoring Officer's Annual Report 2012/13**

<b>Section Numbers</b>	<b>Contents</b>
1	Introduction
2	Key messages
3	Results of the Monitoring Officer's work in 2012/13
4	Review of effectiveness of systems of Internal Audit
5	Governance Statement
6	Section 17 Crime and Disorder Act
7	Overall opinion on the adequacy and effectiveness of the Governance framework

## **1. Introduction**

- 1.1 The Monitoring Officer's Annual Report summarises the more important matters arising from the Monitoring Officer's work for the County Council in 2012/13 and comments on other current issues.
- 1.2 Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. It is founded on the fundamental principles of openness, integrity and accountability together with the overarching concept of leadership. In this respect, Norfolk County Council recognises the need for sound corporate governance arrangements and over the years has put in place policies, systems and procedures designed to achieve this. The County Council has adopted a Code of Corporate Governance as a means of drawing together all the positive elements of corporate governance which it already has in place. The Code is updated annually. Changes approved by the Audit Committee following a full review were published in January 2012 and during 2012/13 only minor changes have been made.
- 1.3 The Monitoring Officer is appointed under Section 5 of the Local Government and Housing Act 1989 and has a number of statutory functions in addition to those more recently conferred under the Local Government Act 2000 and the Local Government and Public Involvement in Health Act 2007 and subsequent regulations governing local investigations into member conduct. The Localism Act came into force in 2011, with subsequent implementing regulations coming into force during 2012/13, and included a number of changes to rules relating to the standards regime including the establishment of Standards Committees, the assessment of complaints and the abolition of Standards for England.

## **2. Key messages**

- 2.1 The key messages to note from the year are:
  - There have been no 'reportable incidents' during the period 2012/13.
  - That the systems of internal control administered by the Monitoring Officer including compliance with the Code of Corporate Governance and the Council's Constitution were adequate and effective during 2012/13 for the purposes of the latest regulations.
  - The Council has arrangements in place to ensure compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful.
  - A Member and senior officer working group conducts an annual review of the Constitution. The review in 2012/13 led to the Council approving a number of changes to the Constitution.
  - The County Council publishes on its website a summary of Members' declared interests, all the authority's expenditure over £500 and the expenses of Chief Officers.

- The Council is proactive in raising the standards of ethical conduct among members and staff, including the provision of ethics training and has put in place arrangements for monitoring compliance with standards of conduct across the Council including:
  - Standards of conduct and behaviour for officers
  - Code of Conduct for Members
  - Register of Discloseable Pecuniary Interests
  - Register of gifts and hospitality
  - Complaints procedure
- Changes introduced under the Localism Act 2011 and subsequent regulations introduced in 2012/13 led the County Council to establish a new, politically balanced (in accordance with requirements) Standards Committee. A new Code of Conduct for Members was approved by the Council and the Council's first Independent Person, Stephen Revell, was appointed for a four year term. The Council also agreed new arrangements for assessing and determining standards complaints.
- During 2012/13 a new Register of Disclosable Pecuniary Interests was established and all Members submitted a declaration,
- During 2012/13 training on the new Code and on Interests was held for all Members and the Independent Person.
- The Monitoring Officer and her team received training on the new standards framework.
- The Council can demonstrate that generally Members and staff exhibit high standards of personal conduct. However, as in 2011/12, there was a higher than usual number of standards complaints during 2012/13. One of these led to a hearing of the Standards Committee at which a breach of the Code of Conduct was upheld. A review of standards complaints during 2012 was taken to the Standards Committee.
- Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and pecuniary interests. There is evidence that members and staff are making appropriate disclosures in the registers and that they are regularly reviewed.
- The Audit Committee receives an annual update on the Council's counter fraud and corruption policy applying to all aspects of the Council's business. This policy has been communicated throughout the Council. There are effective arrangements for receiving and acting upon fraud and corruption concerns and disclosures from members of the public.
- The Council has arrangements in place to receive and investigate allegations of breaches of proper standards of financial conduct and fraud and corruption.

- The County Council's Anti-Fraud and Corruption Strategy updated to reflect changes in law and practice, and was approved by the Audit Committee in January 2013.
- There is a whistleblowing policy which is publicised and demonstrates the Council's commitment to providing support to whistleblowers and has been communicated to staff and those parties contracting with the council. The Council can demonstrate its staff, and staff within contracting organisations, have confidence in the whistleblowing arrangements and feel safe to make a disclosure. The policy was reviewed against best practice guidance from the Audit Commission during 2011, as reported to Audit Committee.
- nplaw achieved the Law Society's Lexcel quality standard and has arrangements in place to ensure the quality of the service provided.
- During the year regular reports are provided to the Standards Committee and ad hoc reports on major legislative and governance issues are provided to the Chief Officers Group.
- Money laundering requirements as stipulated in the Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002 have been fully met.

### **3. Results of the Monitoring Officer's work in 2012/13**

- 3.1 In order to ensure the effective undertaking of her responsibilities, the Monitoring Officer has a number of duties which are set out in the table below:-

<b>DUTIES</b>	<b>EXAMPLES</b>
Had regular meetings with each of the Chief Executive, Head of Finance, and Head of Democratic Services in order to review current and likely future issues with legal, constitutional or ethical implications.	During the year the Constitution was updated to reflect changes in legislation, including updating standards matters, contract standing orders and financial regulations. The Monitoring Officer worked with the Head and Assistant Head of Democratic Services in advising the Constitution Advisory Group on updating the Constitution.
Maintained good liaison and working relations with the External Auditor.	The Monitoring Officer attended quarterly meetings with the External Audit team. Key issues were discussed with the External Auditor and the External Auditor would be consulted if reportable incidents arose.
Ensured that the County Council is kept up to date on new legislation and changes in the law which are relevant to the carrying out of the County Council's activities.	This will generally take the form of reports to Members and briefing notes to Chief Officers but where appropriate will involve training sessions for relevant Members and Officers. These activities are carried out in consultation and conjunction with relevant Chief Officers.

DUTIES	EXAMPLES
The Monitoring Officer or her senior staff have been consulted at an early stage on new policy proposals and on matters, which have potentially significant legal implications.	The Monitoring Officer and her staff are regularly consulted by Chief Officers on new policy proposals. The Monitoring Officer is now a member of the Chief Officer Group ensuring early notification of policy proposals.
All draft reports to the Cabinet, Committees and Review Panels have as a matter of routine been cleared with the Monitoring Officer or her senior staff.	All reports were routinely forwarded to the Monitoring Officer and her staff by service departments and were reviewed for their legal and ethical implications.
<p>The Monitoring Officer has been informed of all emerging issues of concern of a legal, ethical or constitutional nature.</p> <p>Similarly, Members have ensured that the Monitoring Officer is routinely informed and consulted in respect of new policy proposals.</p>	<p>Chief Officers are aware that they should consult the Monitoring Officer on legal, ethical or constitutional matters and they regularly do so.</p> <p>Members can rely on the fact that all reports are routinely reviewed by the Monitoring Officer or her senior staff, prior to their presentation at Cabinet, or other committees or panels.</p>
The Monitoring Officer has sought to resolve any potential illegality by identifying alternative and legitimate means of achieving the objective of the proposal.	The Monitoring Officer, in her capacity as Head of Law, and her senior staff regularly advise on the legality and/or appropriateness of administrative procedures.
In cases where external lawyers are acting for the County Council, it will be necessary for the relevant Chief Officer and the Monitoring Officer to agree arrangements for ensuring that vires and constitutional issues are satisfactorily addressed.	No exceptions were raised during the period.
In appropriate cases, and to secure the rapid resolution of a potential reportable incident or avoid a separate statutory report, the Monitoring Officer will be entitled to add her written advice to the report of any other County Council Officer.	There have been no such incidents during 2012/13.

DUTIES	EXAMPLES
Where the Monitoring Officer receives a complaint of a potential reportable incident, she must in appropriate cases seek to resolve the matter amicably, by securing that any illegality or failure of process is rectified. However, it is recognised that the Monitoring Officer may decide that the matter is of such importance that a statutory report is the only appropriate response.	There have been no incidents requiring a statutory report during 2012/13.

#### **4. Review of effectiveness of systems of internal audit**

- 4.1 The Accounts and Audit (Amendment) (England) Regulations 2006 require the Council to review annually the effectiveness of its system of internal audit. There is currently no guidance or good practice available for meeting this requirement. Informal advice from CIPFA and discussions with other local authorities provided various options for reviewing the effectiveness of the system of internal audit.
- 4.2 The elements of the Council's systems of internal audit and the assurance on their effectiveness include corporate control functions such as legal services. As endorsed by the Audit Committee on 24 April 2007, the option chosen is for the Audit Committee to review information on the effectiveness of the management processes and corporate control functions (legal, financial, health and safety and human resources services performed) as provided by self assessment, customer feedback and any existing external performance reviews.
- 4.3 nplaw's work was accredited by Lexcel, the Law Society's quality standard for all legal practices, in March 2012 and was commended for many good practice areas. There were no areas requiring improvement and the Monitoring Officer received positive feedback from the Lexcel assessor in relation to a number of good practice areas.

#### **5. Governance Statement**

- 5.1 In addition to the Council's own governance the Monitoring Officer provides legal advice to the following joint committees:
  - Norfolk Records Committee
  - Norfolk Joint Museums and Archaeology Committee
  - Eastern Shires Purchasing Organisation (ESPO)
  - Norwich Highways Agency Committee
  - Eastern Inshore Fisheries and Conservation Authority; and
  - Norfolk Parking Partnership Joint Committee.
- 5.2 The Council and each Joint Committee (save for the Norwich Highways Agency Committee) publishes its own Annual Governance Statement.

- 5.3 In addition the Monitoring Officer provides legal advice to the Pension Funds administered by the Council and to the Council's wholly owned companies.

## **6. Equalities Impact Assessment**

- 6.1 There are no impacts arising from this report.

## **7. Section 17 Crime and Disorder Act**

- 7.1 Under section 17 of the Crime and Disorder Act the Council has a statutory general duty to take account of the crime and disorder implications of all of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.
- 7.2 The Monitoring Officer's work helps deter crime, or increase the likelihood of detection through making crime difficult, increasing the risks of detection and prosecution and reducing rewards from crime.

## **8. Overall opinion on the adequacy and effectiveness of the Governance framework**

- 8.1 That the systems of internal control administered by the Monitoring Officer including the Code of Corporate Governance and the Council's Constitution, were adequate and effective during 2012/13 for the purposes of the latest regulations.

Victoria McNeill  
Practice Director  
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01603 223415  
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**External Audit**

**Understanding how the Audit Committee gains assurance from management**

**Report by the Head of Finance**

The purpose of this report is to introduce the External Auditor's paper at Appendix A. The report highlights a number of questions for the Committee to consider when assessing how the Audit Committee gains assurance from management.

A representative from Ernst and Young will attend the meeting and answer members' questions.

The Audit Committee is recommended to consider the questions contained within the External Auditor's paper.

**1 Background**

- 1.1 The External Auditor Ernst and Young provided the Committee with a paper related to the Audit Committee's governance responsibilities, attached as Appendix A.
- 1.2 The report sets out highlights a number of questions for the Committee to consider when assessing how the Audit Committee gains assurance from management.
- 1.3 A representative from Ernst and Young will attend the meeting and answer members' questions.

**2 Governance**

- 2.1 The Norfolk County Council Audit Committee has been designated as those charged with governance (TCWG) for both Norfolk County Council and Norfolk Pension Fund.
- 2.2 Auditing standards require external audit to understand and document management processes and arrangements at the entities they audit, and how the Audit Committee gains assurance over the operation of these processes and arrangements.
- 2.3 The paper provides some questions for the Committee as a whole to consider when assessing how it obtain assurances over the operation of key process and arrangements implemented by management.



### **3 Section 17 Crime and Disorder Act**

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

### **4 Risk Management**

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

### **5 Equalities Impact Assessment and other implications**

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

### **6 Conclusion**

- 6.1 The Audit Committee is recommended to consider the questions raised in the External Auditor's paper.

### **7 Recommendation**

- 7.1 The Audit Committee is recommended to consider the External Auditor's paper.

Adrian Thompson  
Chief Internal Auditor  
01603 222784  
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## **Norfolk County Council & Norfolk Pension Fund**

### **Understanding how the Audit Committee gains assurance from management**

The Norfolk County Council Audit Committee has been designated as those charged with governance (TCWG) for both Norfolk County Council and Norfolk Pension Fund.

Auditing standards require us to understand and document management processes and arrangements at the entities that we audit, and how the Audit Committee gains assurance over the operation of these processes and arrangements.

We have already written to management regarding their processes and arrangements at both the Authority and Fund as well as discussing these issues during audit planning meetings. In addition, we have written to internal audit to seek their views. In order to complete this process we now need to ascertain how the Audit Committee, in their role as TCWG gains assurance over the operation of processes and arrangements implemented by management.

This paper provides some questions for the Committee as a whole to consider when assessing how you obtain assurances over the operation of key process and arrangements implemented by management.

1) How does the Audit Committee, as 'those charged with governance' at the Authority and Fund, exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error (including the nature, extent and frequency of these assessments);
- identifying and responding to risks of fraud in the Authority and Fund, including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- communicating to employees its view on business practice and ethical behavior (for example by updating, communicating and monitoring against the Authority code of conduct);
- encouraging employees to report their concerns about fraud; and
- communicating to you the processes for identifying and responding to fraud or error?

2) How does the Audit Committee oversee management processes for identifying and responding to the risk of fraud and possible breaches of internal control?

3) Is the Committee aware of any:

- breaches of, or deficiencies in, internal control; and
- actual, suspected or alleged frauds during 2012/13?

4) Is the Committee aware any organisational or management pressure to meet financial or operating targets?

5) How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of non-compliance during 2012/13?

6) Is the Audit Committee aware of any actual or potential litigation or claims that would affect the financial statements?

7) How does the Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?

**External Audit**

**Norfolk Pension Fund Draft Audit Plan 2012-13**

**Report by the Head of Finance**

The purpose of this report is to introduce the External Auditor's Norfolk Pension Fund Draft Audit Plan, at Appendix A.

A representative from Ernst and Young will attend the meeting and answer members' questions.

The Audit Committee is recommended to consider the External Auditor's Norfolk Pension Fund Draft Audit Plan and whether there are other matters which may influence their audit.

**1 Background**

- 1.1 The External Auditor, Ernst and Young, provided the Committee with a Draft Audit Plan for the Norfolk Pension Fund, attached as Appendix A.
- 1.2 The report sets out the approach and scope for the 2012-13 external audit in line with required legislation, best practice and summarises the External Auditor's assessment of the key risks which drive the development of an effective audit for the Norfolk Pension Fund and outlines their planned audit strategy in response to those risks.
- 1.3 Items of particular note are the Financial Statement Risks at part 2, the Analytics notes at part 3.2 and the fees at part 3.4 of the plan at Appendix A.
- 1.4 A representative from Ernst and Young will attend the meeting and answer members' questions.

## **2 Section 17 Crime and Disorder Act**

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

## **3 Risk Management**

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

## **4 Equalities Impact Assessment and other implications**

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

## **5 Conclusion**

- 5.1 The Audit Committee is recommended to consider the External Auditor's Draft Audit Plan for Norfolk Pension Fund and whether there are other matters which may influence their audit.

## **6 Recommendation**

- 6.1 The Audit Committee is recommended to consider the External Auditor's Draft Audit Plan for Norfolk Pension Fund and whether there are other matters which may influence their audit .

Adrian Thompson  
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## **Norfolk County Council Pension Fund**

Year ending 31 March 2013

### **Audit Plan**

June 2013

 **ERNST & YOUNG**

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

24 June 2013

Dear Member

### **Audit Plan- Norfolk County Council Pension Fund**

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2013 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key risks which drive the development of an effective audit for the Norfolk County Pension Fund, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with the Chair of the Pension Fund Committee and with the Audit Committee on 24 June 2013 as well as understand whether there are other matters which you consider may influence our audit.

Yours sincerely

Peter O'Neill  
Partner  
For and behalf of Ernst & Young LLP  
Enc

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# 1. Overview

## Context for the audit

This audit plan covers the work that we plan to perform in order to provide you with our audit opinion on whether the financial statements of the Norfolk County Council Pension Fund ('the Pension Fund') give a true and fair view of the financial position as at 31 March 2013 and of the income and expenditure for the year then ended.

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

- ▶ 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.
- ▶ Management's views on all of the above.

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

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

In part 2 and 3 of this report we provide more detail on the areas which we believe present significant risk to the financial statements audit, and outline our plans to address these risks.

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2013.

## Our process and strategy

Our audit involves:

- ▶ Applying the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. We set our materiality based on the Pension Fund's net assets. We also consider the Pension Fund's reporting history.
- ▶ Assessing the design and of the operation of controls;
- ▶ Reliance on the work of experts; and
- ▶ Substantive tests of transactions and amounts.

Our planning and audit strategy work to date has identified those key processes across the Pension Fund where we will record and evaluate the operation of controls; these are noted within section 3.2. We have concluded from our initial planning work that it will be more efficient to carry out a substantive based audit of the financial statements.

## 2. Financial Statement Risks

Under auditing standards we are required to communicate to you our approach for addressing those risks we have identified as giving, in the absence of controls, a higher likelihood of material misstatement in the accounts. These are designated by us as 'Significant Risks' (SR).

We have not identified any 'Significant Risks' in the context of your audit.

Our areas of audit emphasis have been identified as:

- ▶ Completeness, existence, ownership and valuation of year end investments.
- ▶ Completeness, occurrence and measurement of investment income and change in market value.
- ▶ Completeness, existence, ownership and valuation of cash balances.
- ▶ Completeness, measurement and timeliness of contributions.
- ▶ Occurrence and measurement of pensions.
- ▶ Presentation of and disclosures in the financial statements are compliance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

### Addressing the risk of fraud and error

Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying any 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 the Audit Committee, as 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.

## 3. Our audit process and strategy

### 3.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code'), dated March 2010, our principle objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the Pension Fund's financial statements which are included within the Authority's Statement of Accounts and within the Pension Fund Annual Report.

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

### 3.2 Audit process overview

Our audit involves:

- ▶ recording and evaluate the operation of controls key internal controls in place across the Pension Fund;
- ▶ where relevant, review and re-performance of the work of your internal auditors;
- ▶ reliance on the work of other auditors where appropriate;
- ▶ reliance on the work of experts in relation to areas such as valuation of the Pension Fund; and
- ▶ substantively based tests of detail of transactions and amounts included within the financial statements.

#### **Processes**

Our initial assessment of the key processes across the Pension Fund has identified the following key processes where we will evaluate the design and operation of controls:

- Contributions
- Lump sum and retirement benefits
- Transfers in and out of the Pension Fund
- Cash and bank processes; and
- Investments.

#### **Analytics**

We aim to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular in respect of the payment of pension benefits through payroll and 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.

#### ***Use of experts***

We will utilise specialist Ernst & Young resources, as necessary, to help us to form a view on judgments made in the financial statements.

#### **Other procedures**

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

##### *Mandatory procedures required by auditing standards on:*

- ▶ 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.
- ▶ Auditor independence.

##### *Procedures required by the Code*

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statement.
- ▶ Reviewing, and where appropriate, examining evidence that is relevant to the Pension Fund's corporate performance management and financial management arrangements and reporting on these arrangements.

### **3.3 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 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.

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.

ISA (UK & Ireland) 450 (revised) requires us to record all misstatements identified except those that are "clearly trivial". All uncorrected misstatements found above this amount will be presented to you in our year-end report.

### 3.4 Fees

The Audit Commission has published a scale fee for all Pension Funds. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code. The indicative fee scale for the audit of the Norfolk County Council Pension Fund is £27,099. This fee is predicated on the Fund preparing financial statements for audit which are free from material error and which are supported by good quality working papers.

### 3.5 Your audit team

Peter O'Neill is the signing partner and is supported by technical experts from within the Ernst & Young Pensions Assurance Group.

The overall Norfolk County Council engagement team is led by Rob Murray. Rob is supported in that role by Philip King who is responsible for the day-to-day direction of audit work and is the key point of contact for both the Norfolk County and Norfolk Pension Fund audits, as well as your finance and pension teams.

### 3.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the Audit Committee cycle in 2013. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

We will provide a formal report to the Audit Committee, as those charged with governance, in September. 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 present our report to the Pension Fund Committee in advance of reporting to the Audit Committee.

Following the conclusion of our audit we will prepare a management letter in order to communicate to the Pension Fund and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Committee timetable	Deliverables
High level planning:	January		Audit Fee letter
Risk assessment and setting of scopes	March		
Testing of routine processes and controls	March – May	Audit Committee	Audit Plan
Year-end audit	June – July		
Reporting	September	Pension Fund and Audit Committees	Report to those charged with governance Audit reports
	October		Management Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

## 4. Independence

### 4.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 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 independence and objectivity. The Ethical Standards, as revised in December 2010, require 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 governance on matters in which you have an interest.

The APB Ethical Standards and ISA (UK and Ireland) 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 independence and objectivity. The Ethical Standards, as revised in December 2010, require 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 governance on matters in which you have an interest. <b>Required communications</b>	
Planning stage	Final stage
<ul style="list-style-type: none"> <li>▶ The principal threats, if any, to objectivity and independence identified by Ernst &amp; Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, 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;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that we are independent;</li> <li>▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission's Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

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.

## **4.2 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. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

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. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

### **4.2.1 Self interest threats**

A self interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; 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.

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 4.

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

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.

### **4.2.3 Management threats**

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. 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.

### **4.2.4 Other threats**

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

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

#### **4.2.5 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 Peter O'Neill, your audit engagement partner and the audit engagement team have not been compromised.



### **4.3 Other required communications**

Ernst & Young 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 Ernst & Young 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 ended 29 June 2012 and can be found here: [UK 2012 Transparency Report](#)

## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2012/13	Actual Fee 2011/12	Explanation of variance
	£'000	£'000	
<b>Total Audit Fee – Code work</b>	<b>27,099</b>	<b>43,940</b>	Reduction reflects the savings achieved from the Audit Commission procurement exercise.

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables The Council provides good quality draft accounts which have undergone senior management review before the end of June 2013 and good quality supporting working papers at the commencement of the audit;
- ▶ Officers provide appropriate responses to queries and other information we request within the agreed timescales to allow us to complete the audit fieldwork by the end of July 2013;
- ▶ Where relevant, we are able to place reliance on the work of internal audit;
- ▶ The level of risk in relation to the audit of accounts is consistent with that in the prior year;
- ▶ Our accounts opinion conclusion being 'unqualified';
- ▶ Appropriate quality of documentation is provided by the audited body;
- ▶ Effective control environment; and
- ▶ Attendance by the signing partner at Committee meetings is limited to one meeting for the presentation of audit findings to those charged with governance.

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

## Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to those charged with governance of audited clients. These are detailed here:

Required communication	Reference
<b>Planning and audit approach</b> Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
<b>Significant findings from the audit</b>	Report to those charged with governance
<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial audits (delete if not an initial audit)</li> </ul>	
<b>Misstatements</b>	Report to those charged with governance
<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	
<b>Fraud</b>	Report to those charged with governance
<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	
<b>Related parties</b> Significant matters arising during the audit in connection with the entity's related parties including, when applicable:	Report to those charged with governance
<ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	
<b>External confirmations</b>	Report to those charged with governance
<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	
<b>Consideration of laws and regulations</b>	Report to those charged with governance
<ul style="list-style-type: none"> <li>▶ 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</li> <li>▶ 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</li> </ul>	

Required communication	Reference
<b>Independence</b> Communication of all significant facts and matters that bear on Ernst & Young's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> For listed companies, communication of minimum requirements as detailed in the ethical standards: <ul style="list-style-type: none"> <li>▶ Relationships between Ernst &amp; Young, the audited body and senior management</li> <li>▶ Services provided by Ernst &amp; Young that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by Ernst &amp; Young analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the ethical standards</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	Audit Plan Report to those charged with governance
<b>Going concern</b> Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	Report to those charged with governance
<b>Significant deficiencies in internal controls identified during the audit</b>	Report to those charged with governance
<b>Fee Information</b> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	Audit Plan Report to those charged with governance and Management Letter if considered necessary

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## **Risk Management Report (1st Quarter 2013/14)**

### **Report by Head of Finance**

#### **Summary**

This report provides Audit Committee with an update of the Corporate Risk Register and other related matters following the latest quarterly review conducted during the first quarter of 2013/14. The update includes details of nineteen risks proposed for inclusion within the Corporate Risk Register. Risks are where events may impact on the County Council achieving its objectives.

#### **Recommendations**

Audit Committee is asked to:

- note the changes to the risk register
- comment on the nineteen corporate risks
- consider if any further action is required
- note that the arrangements for risk management are acceptable and fulfil Norfolk County Council's "Well Managed Risk – Management of Risk Framework"

## **1. Introduction**

- 1.1 The Corporate Risk Register is a dynamic document that is reviewed and updated by risk owners and responsible officers for any changes that have occurred to the risk as a whole and to the progress of its control measures in accordance with the County Council's "Well Managed Risk – Management of Risk Framework". The Corporate Risk Register is regularly reviewed by the Chief Officer Group. Risks are where events may impact on the County Council achieving its objectives.
- 1.2 Following the most recent report to Audit Committee in April 2013 a review of the existing risks as well any new risks proposed for inclusion in the Corporate Risk Register has taken place with the officers responsible. This report outlines the outcome of that review.
- 1.3 Appendix 1 contains a summarised version of the proposed updated full Corporate Risk Register as at 14 May 2013.

- 1.4 Appendix 2 displays detailed updates of new risks plus existing risks scored at ten or above and assessed as having 'serious or some concerns' regarding their prospects of meeting their target risk scores by their target dates.

## **2. Corporate Risk Register**

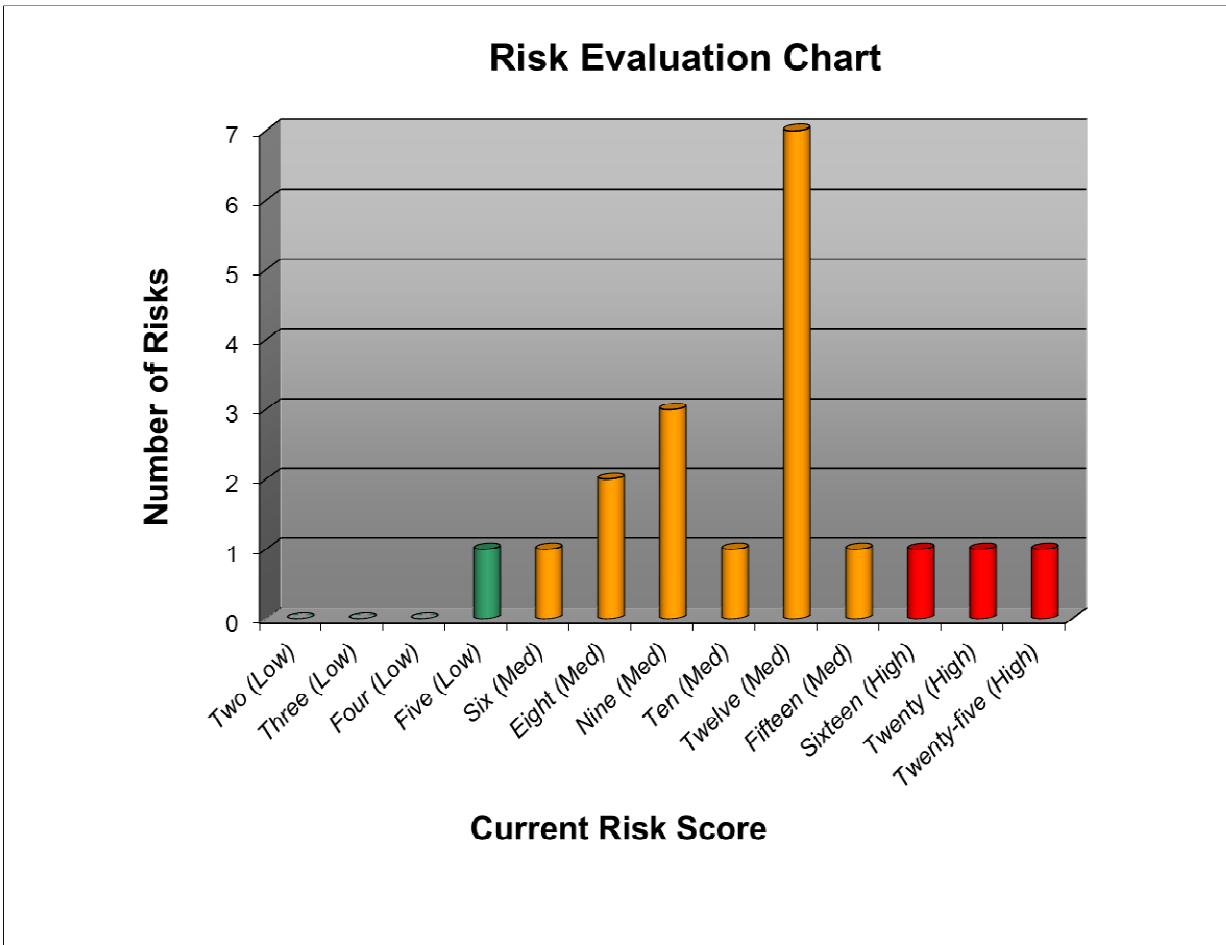
- 2.1 The register reflects those key business risks that require strong management at a corporate level and which, if not managed appropriately, could result in the County Council failing to achieve one or more of its key objectives and/or suffer a financial loss or reputational damage. All risks have been reviewed and updated, as appropriate, at the time of writing this report.
- 2.2 In total it is recommended that nineteen risks are included on the Corporate Risk Register. Of the seventeen risks reported to Audit Committee in April 2013 three risks have been removed and five new risk descriptions have been added to the register.
- 2.3 Risk RM14025 "Failure to deliver planned budget savings in 2012/13", RM0199 "Failure to divert waste to landfill" and RM13917 "Loss of core infrastructure or resources" have been removed from the risk register.
- 2.4 Risk RM14025 has been removed due to the fact that the County Council has successfully achieved the required corporate budget savings for 2012/13. RM0199 "Failure to divert waste to landfill" has been removed from the register and incorporated in to the new, long term risk RM14113 "Failure in the delivery of the Willows Power and Recycling Centre."
- 2.5 Following work undertaken in conjunction with the Resilience Team an enhanced Business Continuity risk register has been developed to more clearly show the key corporate risks within the business continuity arena. This has resulted in risk RM13917 "Loss of core infrastructure or resources" being removed from the corporate risk register and replaced by three separate risks, each one reflecting the specific area to which it applies, giving better assurance in those areas, which include Human Resources, ICT Shared Services and County Council property.
- 2.6 The three new risk descriptions relating to business continuity are:
- RM14097 "Shortage of personnel through illness, sustained industrial action etc"
  - RM14100 "Loss of key ICT systems"
  - RM14098 "Incident at key NCC premises or adjacent causing loss of access or service disruption"

It is intended that the separation of the all encompassing single resilience risk into individual areas will provide members with greater clarity and assurance in the mitigation process, especially in regard to any risks in relation to the current major refurbishment work being undertaken at County Hall.

- 2.7 In addition to the resilience risks, two new risk descriptions have been added to reflect emerging areas of risk.
- RM14112 “Failure to meet the requirements of the Improvement Notice from the DfE.” This risk description has been added to provide assurance on the progress of the Children’s Social Care Improvement Programme which has been established following the recent Ofsted inspection of the arrangements for the protection of children.
  - RM14113 “Failure in the delivery of the Willows Power and Recycling Centre.” has been added to reflect the risks around the failure to construct the Willows Power and Recycling Centre and the implications that may follow from such a situation.
- 2.8 One risk has had the prospect of meeting the target risk score by the target date changed.
- Risk RM14028 “Failure to comply with Landfill Allowance for 2012/13” is now showing “Met” and the risk will be removed from the risk register for the second quarter report. The risk has met the target because the 2012/13 allowance was not exceeded and although the final data will not be available until August 2013, confidence is sufficiently high that the risk can be removed.
- 2.9 Ownership of each of the two risks previously shown as the Chief Executive has now been appropriately amended.
- 2.10 In accordance with the Risk Matrix and Risk Tolerance Level set out within the current Norfolk County Council ‘Well managed Risk – Management of Risk Framework’ one risk is reported as ‘Low’, fifteen risks are reported as ‘Medium’ and the remaining three risks are reported as “High”.
- 2.11 As in previous reports, Appendix 1 contains a summarised version of the updated full Corporate Risk Register and a more detailed update is provided in Appendix 2 for each risk scoring ten and above and the prospects of meeting the target risk score by the target date are shown as ‘Amber - some concerns’ or ‘Red – significant concerns’.



2.12 The scores of the nineteen risks are illustrated within the following chart.



**3. Supplementary Information**

3.1 A draft risk register has been produced in conjunction with the Corporate Programme Office and the Resilience team register to reflect the risks resulting from the refurbishment of County Hall. The Programme Board will now review the register and make recommendations as to any risk that may need to be escalated to the corporate risk register.

3.2 ‘Well Managed Risk’, the County Council’s management of risk framework requires the risk management performance and maturity to be reviewed on a regular basis. Norfolk Audit Services, as part of the Internal Audit Plan, conduct regular risk management audits, reviewing and testing mitigation plans documented in risk registers, taking into account any relevant issues arising from the County Council’s policy and strategy for risk management as well as any issues identified within the corporate and departmental risk registers.

- 3.3 The Alarm CIPFA Risk Management Benchmarking Club is a collaboration between the Association of Local Authority Risk Managers (Alarm) and the Chartered Institute of Public Finance and Accountancy (CIPFA). The club currently has 55 member organisations from within the UK public sector.
- 3.4 The club conducts an annual benchmarking exercise to test each organisation's performance against the major risk management standards, expectations of inspection bodies and criteria that inform the risk management element of the annual governance statement, as well as providing an in-depth picture of the maturity of risk management within the organisation, highlighting strengths and weaknesses. The exercise enables the level of risk management performance to be measured internally, against prior years and externally against other member organisations within the public sector.
- 3.5 The benchmarking exercise for 2013 has been conducted and interim results indicate that that Norfolk County Council has achieved a significant improvement, attaining an overall rating of 95%. This result compares favourably with 2012 when 89% was achieved, which in itself was an improvement on the 88% achieved in 2011. This significant improvement provides evidence of the emerging positive benefits to the County Council realised by the establishment of the dedicated Strategic Risk Management function from 01 December 2011.
- 3.6 A separate detailed report will be produced and reported to Audit Committee, following receipt of the final detailed results and comparator reports from CIPFA during August 2013.
- 3.7 The items of supplementary information outlined above help to provide assurance that we continue to perform well and that the County Council's arrangements for risk management are acceptable.

## **4. Conclusion**

- 4.1 The review of existing risks has been completed with responsible officers.
- 4.2 There remains a strong corporate commitment to the management of risk and appropriately managing risk, particularly during periods of organisational change, such as the accelerated programme to deliver all the elements of the vision for the County Council set out in the Terms of Reference for Enterprising Norfolk.
- 4.3 An ongoing clear focus on strong risk management is necessary as it provides an essential tool to ensure the successful delivery of our strategic and operational objectives.

## 5. Recommendations

### 5.1 Audit Committee is asked to:

- note the changes to the risk register
- comment on the nineteen corporate risks
- consider if any further action is required
- note that the arrangements for risk management are acceptable and fulfil Norfolk County Council's "Well Managed Risk – Management of Risk Framework"

#### **Officer Contacts:**

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

Risk Register Name		Corporate Risk Register						Red	
Prepared by		Stephen Andreassen and Steve Rayner				High		Amber	
Date updated		07 June 2013				Med		Green	
Next update due		30 June 2013				Low		Met	
Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Current Risk Score	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
Children's Services	RM13906	That the Looked After Children's budget could result in significant overspends	That the Looked After Children's budget could result in significant overspends that will need to be funded from elsewhere within Children's Services or other parts of Norfolk County Council	18/05/2011	16	8	31/03/2014	Amber	Lisa Christensen
Environment Transport and Development	RM14113	Failure in the delivery of the Willows Power and Recycling Centre.	Failure in the delivery of the Willows Power and Recycling Centre leading to a contract termination would result in a financial impact to the County Council through the likely need for payment of compensation to the contractor, combined with the costs of securing and delivering alternative solutions, the loss of expected savings and the loss of the Waste Infrastructure Credits.	24/05/2013	20	6	01/04/2017	New Risk	Mike Jackson
Community Services Transformation	RM14079	Failure to meet the long term needs of older people	If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of older people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation. With regard to the long term risk, bearing in mind the current demographic pressures and budgetary restraints, the Local Government Association modelling shows a projection suggesting local authorities may only have sufficient funding for Adult's and Children's care.	11/10/2012	25	8	31/03/2030	Amber	Harold Bodmer
Children's Services	RM14112	Failure to meet the requirements of the Improvement Notice from DfE	Norfolk County Council fails to meet the requirements of the Improvement Notice issued by the Department for Education leading to the Secretary of State for Education using his statutory powers of intervention directing the council to enter appropriate arrangements to secure the necessary improvement. This may result in a negative impact on Norfolk County Councils reputation.	24/05/2013	15	5	01/05/2015	New Risk	Lisa Christensen
Resources Procurement	RM14080	Failure of tender process	If we do not manage the commissioning and tendering process effectively we may be subject to legal challenge from an unsuccessful bidder or we may appoint a bidder which is not capable of delivering the contract effectively.	16/10/2012	8	4	30/09/2013	Green	Paul Brittain

Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Current Risk Score	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
Resources Procurement Business Continuity	RM14081	Failure of supplier	If a supplier fails to deliver in accordance with the contract (because of insolvency, capability issues, lack of contract management or a poorly drafted contract) we may be unable to deliver services to the required standard or we may incur excessive costs	16/10/2012	9	4	30/06/2013	Green	Paul Brittain
Community Services Transformation	RM13911	Insufficient Capacity within the Care Market	If there is insufficient capacity within the care market to take on and provide services previously delivered by NCC. This could mean a lack of services for users, increased costs to NCC and result in legal challenges and negatively impact on our reputation	20/05/2011	8	10	31/03/2014	Green	Harold Bodmer
Environment Transport and Development	RM0201	Failure to implement Norwich Northern Distributor Route (NDR) and the Postwick Hub junction improvement	NDR Failure to implement the NDR would result in the inability to implement significant elements proposed in the Norwich Area Transport Strategy (NATS) Implementation Plan including pedestrian enhancements in the city centre, public transport improvements (including some Bus Rapid Transit corridors), traffic management in the suburbs, reductions in accidents and would result in an increase in congestion affecting public transport reliability. It would also result in a reduction in our capacity for economic development and negatively impact on Norfolk County Council's reputation. Inability to deliver the NDR will also affect the growth planned as part of the Joint Core Strategy.	01/04/2005	12	8	01/11/2014	Amber	Mike Jackson
			Postwick Hub The impact of an unsuccessful Public Inquiry on Postwick Hub Junction Side Road Orders (considered necessary by Government Office) will potentially affect the viability of the NDR and the benefits set out in relation to its delivery. It will also result in a failure to deliver immediate growth in employment and some housing development. In addition, the P&R extension is not possible without the completion of Postwick Hub						
Resources HR Shared Services Business Continuity	RM14097	Shortage of personnel through illness, sustained industrial action etc	The risk that influenza or sustained industrial action could cause a shortage of staff. This could cause more interruption in some areas than others, particularly front facing services which are extremely dependent on employees to deliver services.	01/04/2013	12	6	31/03/2014	New Risk	Audrey Sharp
Resources Corporate Programme Office	RM0200	Insufficient capacity for business transformation	Insufficient capacity and resources in the organisation to make required business transformation resulting in change projects not being delivered on time and risk that business as usual could fail in some areas.	01/04/2011	12	8	31/03/2014	Amber	Anne Gibson

Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Current Risk Score	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
Resources HR Shared Services	RM13918	The speed and severity of change in work activities.	The speed and severity of the changes in work activities and job cuts outlined as necessary to achieve budget savings targets could significantly affect the wellbeing of staff. This could lead to increased sickness absence, poor morale and a reduction in productivity.	23/05/2011	12	8	31/03/2014	Green	Audrey Sharp
Community Services Transformation	RM0207	Failure to meet the needs of older people	If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of older people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation.	01/04/2011	12	8	31/03/2014	Amber	Harold Bodmer
Information Management	RM13968	Failure to follow data protection procedures	Failure to follow data protection procedures can lead to loss or inappropriate disclosure of personal information resulting in a breach of the Data Protection Act and failure to safeguard service users and vulnerable staff, monetary penalties, prosecution and civil claims.	30/09/2011	12	4	31/03/2014	Amber	Tom Baker
Resources ICT Shared Services Business Continuity	RM14100	Loss of key ICTsystems	Loss of core or loss of a key ICT systems, communications or utilities for a significant period could impact on delivery of critical services.	01/04/2013	12	6	31/03/2014	New Risk	Tom Baker
Resources Corporate Programme Office	RM13919	Organisational changes within the NHS	Organisational changes within the NHS may inhibit our ability to deliver effective integrated care services. This could lead to disjointed services, a lack of clarity around roles and responsibilities, resulting in confusion for service users, greater costs and a worse service experience for service users	23/05/2011	10	5	31/03/2014	Green	Debbie Bartlett
Environment Transport and Development Business Continuity	RM14098	Incident at key NCC premises or adjacent causing loss of access or service disruption	The risk that fire, flood or structural damage could cause disruption for services due to loss of the building or loss of access to the building.	01/04/2013	9	6	31/03/2014	New Risk	Mike Jackson
Resources Finance	RM14094	Failure to deliver planned budget savings in 2013/14	The risk that planned budget savings are not delivered in full and on time could lead to imposed in-year cuts and reductions in planned service delivery. This could impact on services delivered to the public, as well as generating adverse public and media comment if cuts are made in areas that were not included in the Big Conversation.	31/01/2013	9	6	31/03/2014	Green	Paul Brittain
Environment Transport and Development	RM14028	Failure to comply with Landfill Allowance for 2012/13	The 2012/13 Landfill Allowance for biodegradable waste allocated to the County Council by Defra is 111,181 tonnes. This is the last year in the scheme and a target year meaning no surplus from 2011/12 can be carried forward. Exceeding the allowance could lead to fines, and or the need to purchase surplus allowances from another authority plus reputational damage.	24/04/2012	6	4	01/04/2013	Met	Mike Jackson

Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Current Risk Score	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner
Resources Finance	RM8680	Failure to recover outstanding funds from Icelandic banks	Norfolk County Council fails to recover monies outstanding from Icelandic banks.	01/10/2008	5	5	31/03/2014	Green	Paul Brittain

Risk Register - Norfolk County Council Key Risk Details (Appendix 2)

Risk Register Name		Corporate Risk Register												Red			
Prepared by		Stephen Andreassen and Steve Rayner					High							Amber			
Date updated		07 June 2013					Med							Green			
Next update due		30 June 2013					Low							Met			
Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Current Likelihood	Current Impact	Current Risk Score	Tasks to mitigate the risk	Progress update	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Reviewed and/or updated by	Date of review and/or update
Children's Services	RM13906	That the Looked After Children's budget could result in significant overspends	That the Looked After Children's budget could result in significant overspends that will need to be funded from elsewhere within Children's Services or other parts of Norfolk County Council	18/05/2011	4	4	16	<ul style="list-style-type: none"><li>Stimulate and encourage the local market place to provide sufficient suitable placement options within Norfolk to avoid the need for Out of County placements.</li><li>Negotiate appropriate fees with providers for planned new placements.</li><li>Monitor costs and numbers and types of placements closely.</li><li>Expand the fostering and adoption services and manage on a more efficient basis.</li><li>Increase leaving care placement options.</li><li>Create provision for 16/17 year olds presenting as homeless.</li><li>Create a Clinical Communications Team to work to prevent children from becoming LAC and prevent those who do being placed out of county.</li></ul>	<ul style="list-style-type: none"><li>Two key projects relating to LAC are in progress under Norfolk Forward and are being monitored and managed as part of the transformation programme. One to achieve procurement savings on the cost of placements, and one to restructure the service, moving towards a commissioning system, both on target</li><li>A strategy for the placement of LAC has been developed to address the new Sufficiency duty, the extent and unit cost of Out of County placements, the unit cost of new in County placements and placement costs of fostering and adoption placements.</li><li>Funding approved to create sufficient residential placed within Norfolk to cater for LAC for the next two years.</li><li>Overall, given that the LAC area has historically overspent, that the number of LAC is increasing and the project is in its early days, assessment is amber</li></ul>	2	4	8	31/03/2014	Amber	Lisa Christensen	Tom Savory	19/04/2013
Environment Transport and Development	RM14113	Failure in the delivery of the Willows Power and Recycling Centre.	Failure in the delivery of the Willows Power and Recycling Centre leading to a contract termination would result in a financial impact to the County Council through the likely need for payment of compensation to the contractor, combined with the costs of securing and delivering alternative solutions, the loss of expected savings and the loss of the Waste Infrastructure Credits.	24/05/2013	4	5	20	<ul style="list-style-type: none"><li>Monitor the Public Inquiry, Planning Inspectorate and DCLG processes relating to the Call In</li><li>Residual waste disposal contracts - keep existing extension options open and assess viable alternatives for medium term</li><li>Work effectively with contractor and monitor their performance</li><li>Work effectively with Defra</li><li>Retain suitable internal resources and external specialist advisors</li><li>Inspector's report on Inquiry, submitted to DCLG in September 2013</li><li>Secretary of State decision on planning, expected January 2014</li><li>Construction</li><li>Commissioning</li></ul>	<ul style="list-style-type: none"><li>Contract awarded February 2012</li><li>Environmental permit approved July 2012</li><li>Resolution to grant planning permission given June 2012</li><li>Planning decision called in by DCLG August 2012</li><li>Public Inquiry ended 17 May 2013</li></ul>	2	3	6	01/04/2017	New Risk	Mike Jackson	Joel Hull	07/06/2013



Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Current Likelihood	Current Impact	Current Risk Score	Tasks to mitigate the risk	Progress update	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Reviewed and/or updated by	Date of review and/or update
Community Services Transformation	RM14079	Failure to meet the long term needs of older people	If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of older people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation. With regard to the long term risk, bearing in mind the current demographic pressures and budgetary restraints, the Local Government Association modelling shows a projection suggesting local authorities may only have sufficient funding for Adult's and Children's care.	11/10/2012	5	5	25	<ul style="list-style-type: none"> <li>• Take steps to protect the Purchase of Care budget when budget planning.</li> <li>• Invest in appropriate prevention and reablement services</li> <li>• Integrate social care and health services to ensure maximum efficiency for delivery of health and social care</li> <li>• The Building Better Futures Programme will realign and develop residential and social care facilities</li> <li>• The Market Development work will help ensure the services are available that people need and want in the future</li> <li>• The Universal Services project will help to help ensure that everybody in Norfolk has access to information at the right time to enable them to make the right decisions</li> <li>• The Remodelling of Care Services project is designed to ensure in house services are fit for the future and deliver efficiencies</li> <li>• Ensure budget planning process enables sufficient investment in adult social care particularly in year 3 of current plan.</li> <li>• Continue to: try and manage needs; to identify and deliver savings in the Adult Social Care budget plan; and to ensure the issues are understood and discussed corporately.</li> </ul>	The Adult Social Care mitigating tasks are relatively short term measures compared to the long term risk, ie 2030, but long term measures are outside NCC's control, for example Central Government policy.	2	4	8	31/03/2030	Amber	Harold Bodmer	Harold Bodmer	30/05/2013
Children's Services	RM14112	Failure to meet the requirements of the Improvement Notice from DfE	Norfolk County Council fails to meet the requirements of the Improvement Notice issued by the Department for Education leading to the Secretary of State for Education using his statutory powers of intervention directing the council to enter appropriate arrangements to secure the necessary improvement. This may result in a negative impact on Norfolk County Councils reputation.	24/05/2013	3	5	15	<ul style="list-style-type: none"> <li>Take immediate actions to tackle the areas for improvement identified during the Ofsted inspection of local authority arrangements for the protection of children during Jan 2013.</li> <li>Use of external help, scrutiny, challenge and support to obtain external perspective and assistance.</li> <li>Set up an Improvement Board and Independent Chair.</li> <li>Implement a robust programme management approach to the improvement work focussed on an Integrated Improvement Plan.</li> </ul>	Independent Chair appointed to Improvement Board - first meeting 24/5/13 External help engaged to provide challenge and support. Programme management approach being implemented. Integrated Improvement Plan being drafted.	1	5	5	01/05/2015	New Risk	Lisa Christensen	Tom Savory	24/05/2013

Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Current Likelihood	Current Impact	Current Risk Score	Tasks to mitigate the risk	Progress update	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Reviewed and/or updated by	Date of review and/or update
Environment Transport and Development	RM0201	Failure to implement Norwich Northern Distributor Route (NDR) and the Postwick Hub junction improvement	<p><b>NDR</b> Failure to implement the NDR would result in the inability to implement significant elements proposed in the Norwich Area Transport Strategy (NATS) Implementation Plan including pedestrian enhancements in the city centre, public transport improvements (including some Bus Rapid Transit corridors), traffic management in the suburbs, reductions in accidents and would result in an increase in congestion affecting public transport reliability. It would also result in a reduction in our capacity for economic development and negatively impact on Norfolk County Council's reputation. Inability to deliver the NDR will also affect the growth planned as part of the Joint Core Strategy.</p> <p><b>Postwick Hub</b> The impact of an unsuccessful Public Inquiry on Postwick Hub Junction Side Road Orders (considered necessary by Government Office) will potentially affect the viability of the NDR and the benefits set out in relation to its delivery. It will also result in a failure to deliver immediate growth in employment and some housing development. In addition, the P&amp;R extension is not possible without the completion of Postwick Hub</p>	01/04/2005	3	4	12	<ul style="list-style-type: none"> <li>Following confirmation of funding, complete work required by DfT to regularly report ongoing project progress for the NDR and Postwick Hub to maintain funding allocation.</li> <li>Continue to work with Highways Agency in order to complete the public inquiry for the side roads order for Postwick Hub. Begin processes to prepare construction phase of the Hub.</li> <li>Respond as necessary to the outcome of the JCS legal challenge decision by the High Court. One element of the challenge was the NDR and the outcome of the decision was that the NDR is acceptable within the baseline of the JCS. However, there was a requirement to remedy an issue in relation to the Sustainability Appraisal and this still needs to be resolved by working with legal teams and GNDP team.</li> </ul>	<p>The Transport Secretary announced on the 26 Oct that the NDR has been included in a 'Development Pool' of schemes. DfT have now reconfirmed funding for the NDR and Postwick Hub (max contribution of £86.5m). However the funding cannot be drawn down for the NDR until 'Full Approval' stage, which follows completion of statutory processes (planning consent and orders). Cabinet (3 December 2012) approved the option to utilise the Nationally Significant Infrastructure Projects (NSIP) route for the planning process. This consolidates the planning/land CPOs/highway Orders into one process overseen by the Planning Inspectorate. This provides more confidence in the timescales to deliver the NDR, with the potential to commence construction in the Spring of 2015 and open the NDR in 2017. The Joint Core Strategy was adopted by all Councils on 22 March 2011.</p> <p>A legal challenge to the JCS was received and was heard in the High Court on 6 /7 December 2011. Mr Justice Ouseley handed down his judgement on 24 February 2012 and has ruled that the inclusion of the NDR in the JCS is effectively sound as it should be included in the baseline model for future development and also that it is embedded within existing policies such as the East of England Plan, the Norwich Area Transport Strategy (NATS) and the Local Transport Plan.</p> <p>Planning consent was reconfirmed 18 Oct 2011. Public Inquiry for Postwick Hub Side Roads Orders has been postponed from its planned start date of 25 September 2012 and has now be rescheduled to start on 3 July 2013. This is the last step in the statutory process and assuming successful will mean construction starting later in 2013 following draw down of £19m DfT Development Pool funding.</p>	2	4	8	01/11/2014	Amber	Mike Jackson	David Allfrey	26/04/2013

Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Current Likelihood	Current Impact	Current Risk Score	Tasks to mitigate the risk	Progress update	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Reviewed and/or updated by	Date of review and/or update
Resources HR Shared Services Business Continuity	RM14097	Shortage of personnel through illness, sustained industrial action etc	The risk that influenza or sustained industrial action could cause a shortage of staff. This could cause more interruption in some areas than others, particularly front facing services which are extremely dependent on employees to deliver services.	01/04/2013	3	4	12	<p><b>BCPE001</b> <b>Business Partners / HR service manager / HR workforce planning team</b> Ensure key skills for critical activities are documented to support redeployment of staff in the event of needing staff to support critical activities.</p> <p><b>BCPE002</b> <b>Lucy Hohnen</b> Maintain critical skills within NCC's Corporate HR system.</p> <p><b>BCPE003</b> <b>Workforce planning team / Business Partners</b> Ensure that succession planning is considered appropriately.</p> <p><b>BCPE006</b> <b>Workforce planning team / Business Partners</b> Ensure managers have arrangements to multi-train/skill all appropriate staff, so that activities are not reliant on a small number of individuals.</p>	<p>Business Partners to remind management teams on an ongoing basis to ensure systems are in place to support critical activities. HR Workforce planning team are working with HR Business Partners to identify critical skills and roles to meet future challenges and service objectives.</p> <p>Qualifications can now be added to an employee's personal record via self service. This is available to approx 4000 employees and allows a wide range of qualifications to be recorded. Whilst this does not fully meet the need as it is not yet possible to record skills, just qualifications, a greater range of information is now available. Increased scope of both the available functionality and number of employees who can access self service is planned.</p> <p>There is guidance on peoplenet as well as in the HR Service plan. Managers reminded by HR Business Partners' to ensure succession planning considered.</p> <p>Business Partners to remind management teams on an ongoing basis to ensure they have arrangements in place to multi-train and skill staff. Needs to feed into management training, e-learning and bite size training courses.</p>	3	2	6	31/03/2014	<b>New Risk</b>	Audrey Sharp	Lucy Hohnen	07/05/2013

Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Current Likelihood	Current Impact	Current Risk Score	Tasks to mitigate the risk	Progress update	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Reviewed and/or updated by	Date of review and/or update
Resources Corporate Programme Office	RM0200	Insufficient capacity for business transformation	Insufficient capacity and resources in the organisation to make required business transformation resulting in change projects not being delivered on time and risk that business as usual could fail in some areas.	01/04/2011	3	4	12	<ul style="list-style-type: none"> <li>Corporate Programme Office established and rigorously reviews and reports progress of the Council's business transformation programme (Norfolk Forward) on a monthly basis within a formal governance and reporting structure.</li> <li>Capacity and resource planning is a key part of this agenda to ensure successful delivery of the strategic outcomes</li> <li>Any issues are addressed by the Norfolk Forward Strategic Programme Board through prioritisation of projects or where necessary the utilisation of the cost of change budget</li> <li>The corporate performance framework looks at four themes, (Managing change, Managing the budget, Quality and Performance of Services and Outcomes for Norfolk people). This enables us to assess the impact our change priorities have on our business as usual performance and resources.</li> </ul>	<p>Progress continues to be made in the implementation of resource management processes and we are currently in the process of procuring a portfolio and resource management solution to be rolled out across shared services; the initial proof of concept will be in ICT and the CPO.</p> <p>Resource discussions are taking place as part of regular management meetings in HR, ICT, CS and the CPO this is supported by discussions in the Norfolk Forward Leads meeting and the highlight report which are identifying pinch points and actions to address resource shortfalls.</p> <p>Resource challenges are currently being more keenly felt across the organisation particularly at a senior management level as the delivery of the existing projects portfolio is continuing in parallel with an intensive period of work for Enterprising Planning and Enterprising Solutions.</p> <p>There are a number of shared services areas which have multiple demands from transformation projects, business as usual activities and the development of their own services to enable delivery of future outcomes. Each of these areas is regularly reviewing demand and adjusting allocation, however it will be important to support the capacity in these areas by 'investing to save'; utilising temporary resources to augment the teams to either release subject matter experts to be more engaged in projects or to provide additional project management expertise under the umbrella of the CPO. As Enterprising Norfolk develops it will be increasingly important to consider this type of investment in order to effectively design and deliver desired outcomes.</p> <p>We are continuing to experience significant demand for skilled Programme and Project Managers and BPR consultants to support our complex transformation programme.</p> <p>This pressure is being managed by anticipating potential shortfalls and identifying options to address these issues across the project portfolio; options which are considered on a monthly basis including deferring non-Norfolk Forward and non critical business as usual activities, changing priorities, securing temporary resource and investigating possible funding options.</p>	2	4	8	31/03/2014	Amber	Anne Gibson	Diana Dixon	03/05/2013

Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Current Likelihood	Current Impact	Current Risk Score	Tasks to mitigate the risk	Progress update	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Reviewed and/or updated by	Date of review and/or update
Community Services Transformation	RM0207	Failure to meet the needs of older people	If the Council is unable to invest sufficiently to meet the increased demand for services arising from the increase in the population of older people in Norfolk it could result in worsening outcomes for service users, promote legal challenges and negatively impact on our reputation.	01/04/2011	3	4	12	<ul style="list-style-type: none"> <li>• Take steps to protect the Purchase of Care budget when budget planning.</li> <li>• Invest in appropriate prevention and reablement services</li> <li>• Integrate social care and health services to ensure maximum efficiency for delivery of health and social care</li> <li>• The Building Better Futures Programme will realign and develop residential and social care facilities</li> <li>• The Market Development project will help ensure the services are available that people need and want in the future</li> <li>• The Universal Services project will help to help ensure that everybody in Norfolk has access to information at the right time to enable them to make the right decisions</li> <li>• The Remodelling of Care Services project is designed to ensure in house services are fit for the future and deliver efficiencies</li> <li>• Ensure budget planning process enables sufficient investment in adult social care particularly in year 3 of current plan</li> </ul>	<p>There is growth in the budget to meet the anticipated demographic growth in the Purchase of Care budget ( £3.615m in 2013-14) and there are no savings to be made directly from Purchase of Care. Overall the savings for 2011-12 were delivered in Adult Social Care and the department is forecasting a balanced outturn for 2012-13. Additional one off NHS funding received of £11.357m in 2011-12 and was used to reduce the amount of savings needing to be made in Prevention and to ensure that the department maintains its eligibility criteria as 'Critical and Substantial'. Similar amount of one off additional NHS funding (£10.952m) was received in 2012-13 and was used to offset similar savings as in 2011-12. One off Winter Pressures funding for 2011-12 of £2.6m for Norfolk has been transferred from the NHS Norfolk and Great Yarmouth to NCC. NCC carried this forward to 2012-13. The Additional NHS funding in 2013-14 is £14.956m and what it will be spent on will be agreed with Health partners.</p> <p>Will also be getting 2012-13 Winter Pressures funding of £1.498m. A review of the fees paid to the independent sector has been undertaken as part of "Understanding the cost of care and promoting quality" and informed the inflationary uplift discussions with provider representatives. NHS Norfolk and Great Yarmouth provided £2.3m of reablement funding in 2012-13 which was used to fund the Norfolk First Support, Night Owls and Swifts services and to offset the savings for the year in this area, whilst the service was re-engineered. The four rounds of applications to the Living Well in the Community Fund (aka Prevention Fund) have been assessed by the Living Well in the Community Funding Panel and the successful applicants informed. The fund was £1.564m. Following the setting up of Norse Care in April 2011 the Building Better Futures 15 year transformation programme of the previous in house residential homes is starting with the reprovision of three residential homes in the Eastern Locality.</p> <p>This is part of the Building Better Futures project which is a 15 year transformation programme to deliver more Housing With Care placements in accordance with peoples' preferred model of care and six dementia units as well as more places being provided by the independent sector to help meet the demographic growth. Tenants moved into Green Lane View Housing With Scheme in November 2012. This scheme has replaced Aegel House for Older People. Personal Budgets are being rolled out for people in day services. A Portal has been developed for the citizens of Norfolk to access for advice and support on social care. The Later Life Care Planning Service went live on 11 July 2012. The new service increases the support and information available to people who need help and advice about how to fund their own care. A new project is starting on Support for Self Funders. The ongoing retender of some of the homecare tenders is trying to</p> <p>The Integrated Community Equipment Service started in April 2013 and it is estimated will deliver savings for Adult Social Care of £1.5m pa. The subsidy has been removed from all the meals on wheels services and most of the day centres and luncheon clubs, with discussions underway re meals provided in Housing With Care schemes. Savings are being delivered by the Remodelling of In house day services and on transport through route reviews/reprocurement.</p>	2	4	8	31/03/2014	Amber	Harold Bodmer	Janice Dane	09/05/2013

Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Current Likelihood	Current Impact	Current Risk Score	Tasks to mitigate the risk	Progress update	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Reviewed and/or updated by	Date of review and/or update
Information Management	RM13968	Failure to follow data protection procedures	Failure to follow data protection procedures can lead to loss or inappropriate disclosure of personal information resulting in a breach of the Data Protection Act and failure to safeguard service users and vulnerable staff, monetary penalties, prosecution and civil claims.	30/09/2011	3	4	12	<p>An Information Compliance Group (ICG) has been set up with responsibility for developing policies and procedures and monitoring compliance with the DPA. New staff, volunteers, and contractors' employees do not have unsupervised access to the council's computer facilities or personal data until they have completed the data protection and information security courses (e-learning and workbook based options are provided). Refreshers at no longer than 3-year intervals are mandatory. Completion of courses is monitored and 'overdue' completions are reported to COG and line managers. In areas where sensitive personal data is held, a) rules have been introduced to ensure that recipient information is accurate before the data is sent out of the council, and b) communications plans to reminding staff of procedures are in place.</p> <p>A standard procedure for notifying, investigating, categorising the seriousness, and addressing the causes of, breaches of the DPA is now in place. Incidents are notified to and logged by the Corporate DP Officer who submits weekly reports to the Chief Information Officer and monthly updates to the ICG. COG, advised by the the Chief Information Officer and the Monitoring Officer, is required to confirm whether a breach should be notified to the Information Commissioner.</p> <p>In future regular reports to be provided to Departmental SMTs</p>	<p>An Information Management Shared Service has been established to integrate all information activities, including Information Compliance and Information Security. Parishioners will be co-located, and common processes and procedures introduced where they do not already exist. Formal launch of the service is scheduled for 02 May 2013.</p> <p>Appointments made to the new IM Shared Service. SLA developed and published in April 2013.</p>	1	4	4	31/03/2014	Amber	Tom Baker	Stephen Livermore	18/04/2013



Area	Risk Number	Risk Name	Risk Description	Date entered on risk register	Current Likelihood	Current Impact	Current Risk Score	Tasks to mitigate the risk	Progress update	Target Likelihood	Target Impact	Target Risk Score	Target Date	Prospects of meeting Target Risk Score by Target Date	Risk Owner	Reviewed and/or updated by	Date of review and/or update
Resources ICT Shared Services Business Continuity	RM14100	Loss of key ICTsystems	Loss of core or loss of a key ICT systems, communications or utilities for a significant period could impact on delivery of critical services.	01/04/2013	3	4	12	Task 001 - Ensure ICT solutions are designed, implemented and operated to provide the agreed level of resilience	Standard ICT processes are being reviewed to ensure that the business requirements for resilience are correctly identified and built into ICT projects and operational ICT solutions.	2	3	6	31/03/2014	New Risk	Tom Baker	Ann Carey	03/05/2013
								Task 002 - Ensure the ICT dependencies and requirements of the business are fully understood and reflected in ICT operational services, ICT infrastructure / platforms, ICT continuity plans and ICT recovery processes	The Major Incident - Business communication process has been revised and improved to ensure appropriate key staff are automatically informed so early intervention can be made to minimise business disruption. This process is under regular review with Corporate Resilience team and service based Business Continuity leads to identify further improvements. ICT recovery processes and timescales were tested as part of power down exercise and baseline established BIA exercise will be structured and managed to elicit key information on ICT dependencies and recovery time objectives. All BIA s will be reviewed and key ICT information agreed with relevant business leads and Corporate Resilience Team.								
								Task 003 - Ensure the increased availability of ICT platforms and services through planned migration of data centre services from County Hall and Carrow House to more appropriate and resilient environments	The provision of alternative physical server hosting facilities and cloud hosting services are included within the scope of the proposed DNA (Digital Norfolk Ambition) programme, detail plans will be developed following formal approval of business case expected Sept 2013. Interim measures to improve environmental management of data centres (e.g. managed power supply, air conditioning, security) have been delivered as part of Data Centre Resilience Project.								
								Task 004 - Ensure provision of appropriate ICT support for business services operating outside of standard business hours	Provision of a formal ICT out of hours support service is included within scope of DNA Programme. Maintaining existing stand-by provision to ensure ICT response to a major out of hours incident								
Environment Transport and Development Business Continuity	RM14098	Incident at key NCC premises or adjacent causing loss of access or service disruption	The risk that fire, flood or structural damage could cause disruption for services due to loss of the building or loss of access to the building.	01/04/2013	3	3	9	<b>BCPR001</b> <b>John Ellis</b> To ensure a corporate approach to work area recovery is agreed.	<b>Update April 2013:</b> work underway to review requirements of corporate WAR and determine planning arrangements for this. BIA review work will feed into this as will provide detailed lists of WAR sites for teams/depts to allow for cross-referencing.	3	2	6	31/03/2014	New Risk	Mike Jackson	John Ellis	02/05/2013
								<b>BCPR004</b> <b>Andrew Crossley</b> Ensure premises managers are in place and that they are aware of Business Continuity	Training materials now include information on EP/BC responsibilities; however Premises Managers are not in place for all premises.								
								<b>BCPR006</b> <b>Andrew Crossley</b> Ensure an assessment is made on the resilience of existing and future premises particularly during those projects which are considering further investment in particular premises. Ensure that risks are appropriately assessed and business continuity is considered when decisions are made regarding NCC assets, particularly regarding locations of services, their criticality, future threats/vulnerabilities to buildings and the longer term future of properties.	All projects should include the consideration of the risks individual premises face. BCM should be considered as part of any property changes.								

## **Norfolk Audit Services Quarterly Report For the Quarter ended 31 March 2013**

Report by the Head of Finance

### **Summary**

The purpose of this report is to summarise the results of recent work by Norfolk Audit Services (NAS), to give an overall opinion on the adequacy and effectiveness of risk management and internal control within the County Council and to give assurance that, where improvements are required, remedial action has been taken by Chief Officers.

### **Recommendation**

The Audit Committee is asked to consider and comment on:

- the overall opinion on the effectiveness of risk management and internal control being 'Acceptable' and therefore considered 'Sound'.
- A clear policy to include unannounced 'spot' checking in the audit planning being agreed with Chief Officers, including promotion of that policy to ensure understanding by staff and managers that spot checking is possible, is approved and is likely to take place where it is necessary and proportionate and the benefits it provides. Initial areas are cash floats and desirable portable asset verification.

## **1. Background**

- 1.1 Audit work and reporting assurance on the adequacy and effectiveness of Governance, Risk Management and Internal Control forms part of the achievement of the Council's Plans and its Strategic Ambitions.
- 1.2 Internal Audit work on assurance was set out in the Annual Internal Audit Plan presented to Chief Officer Group and approved by the Audit Committee at its April 2012 meeting. The Council has to undertake sufficient audit coverage to comply with the Accounts and Audit Regulations 2011. The allocation of audit time was based upon a risk assessment and this is continuously reviewed throughout the year.
- 1.3 The work undertaken by Internal Audit complements the work of the external auditors. There is a good working relationship between Internal and External Audit such that in total they give adequate audit coverage to all areas of the Council's activities. Internal Audit is responsible for communicating the final results of their audit work to parties who can ensure that the results are given due consideration.
- 1.4 This report summarises internal audit's work for the quarter ended 31 March 2013 and includes (as required by Financial Regulation 4.3.2 and the Audit Committee Terms of Reference):



- an opinion on the adequacy and effectiveness of the Council's internal control and risk management arrangements,
  - any corporately significant issues arising and
  - an assurance that action has been taken as necessary.
- 1.5 The External Auditor is required to check that those charged with governance (the Audit Committee) oversee management arrangements for identifying and responding to the risks of fraud and the establishment of internal control.
  - 1.6 The Audit Committee oversees Chief Officer's arrangements for identifying and responding to the risks of fraud and the establishment of internal control. Norfolk Audit Services' work includes implicitly work that covers the prevention, detection and investigation of any fraud or corruption that may occur. Reports on the audit findings clearly set out those findings which increase the risk of fraud and who has responsibility for ensuring that recommendations are implemented and the risk of fraud minimised.
  - 1.7 Awareness and understanding of the Anti Fraud and Corruption Strategy and associated documents by Members, staff and those we do business with is being promoted and is a key measure for their success.
  - 1.8 After consideration of the risks from the economic downturn, the Anti Fraud and Corruption planning and resources were considered sufficient.
  - 1.9 At the April Audit Committee meeting it was requested that as the Internal Audit Team had the powers to carry out spot checks, the next quarterly report should indicate areas where possible spot checks may be appropriate. Consideration is given to this in part 3 of this report.
  - 1.10 We continually review our performance and costs. We participate in the CIPFA Internal Audit Benchmarking Club which compares us to similar County Council Internal Audit teams.

## **2. Work Completed during the quarter**

- 2.1 Delivery of final reported audits for the quarter ended 31 March 2013 is considered satisfactory and sufficient.
- 2.2 There were 53 final audit reports issued during this quarter, 33 schools audits and 20 non-schools. Eight grant claims were certified during the quarter. A list of these reports is attached as Appendix A. There were also three follow up reports completed in the quarter with no exceptions raised. A list of those reports is attached as Appendix B.
- 2.3 There were three audits during the quarter that were notable:

Carefirst Financials - Community Services - Nursing Care

The audit found that overall, good controls had been built into the process for billing with regards to nursing care cost and the initial migration of data onto Carefirst. The integration within Carefirst with other aspects of the care provision and the involvement of a third-party (the NHS) both contribute to the strength in governance and internal controls.

## Carefirst Financials - Community Services - Residential Billing

The audit found overall, internal controls in the new billing process were adequate and effective to ensure the accuracy and completeness of bills issued and supporting financial records. Actions have been agreed to improve the timeliness of the first bill raised for new service users.

## Payroll BACS Bureau

This audit looked at the introduction of the Bacs Bureau operated by HR Shared Services to provide payroll services to external clients. The report concluded that overall, the Payroll Team and ICT Operations Team are working efficiently together to provide external clients with an adequate payroll services in line with the requirements of the NCC Bacs Approved Bureau status.

- 2.4 Norfolk Audit Services monitor the productive and non-productive time of the team on a regular basis to ensure delivery of an effective and efficient service. In 2011/12, 73.3% of NAS time was spent on “productive” activities, ie work which contributes to and supports the opinion of the Chief Internal Auditor. In light of a planned system upgrade and the induction of several new members of staff, the expectation has been set at 69% for 2012/13. The proportion of productive time for the year was 69.14% and this is considered satisfactory.
- 2.5 There have been no reported instances in the quarter of non compliance by Members with the Members Allowances rules or Chief Officers with their Expenses rules.
- 2.6 From time to time Internal Audit is notified of allegations. Allegations are managed in two stages, a preliminary assessment and then, if required, a formal investigation. Preliminary assessments may require significant work and can lead to an assessment report. Formal investigations will have terms of reference and a time budget. No formal investigations were started or completed in the quarter.

## 3. **Changes to the Audit Plan 2012-13 and matters arising since the end of the quarter**

- 3.1 There were no further changes to the 2012-13 audit plan since the previously reported changes in quarters one, two and three. Therefore the final total of changes for 2012-13 was that 425 days were subject to change. This included the 185 days, 176 days and 64 days which were reported on in quarters one, two and three respectively. The changes were agreed with the Head of Finance on a risk assessed basis.
- 3.2 At the April Audit Committee meeting it was requested that as the Internal Audit Team had the powers to carry out spot checks, the next quarterly report should indicate areas where possible spot checks may be appropriate.
- 3.3 The County Council starts from a position of trusting staff and managers and that controls should be in place and effective.
- 3.4 Unannounced ‘Spot’ checking can be appropriate where there is a high risk that prior notice of an audit visit may lead to poor practices, including fraud, being rectified temporarily and therefore less likely or not being identified during the audit. Control of

Cash balances (Floats), inappropriate (personal) use of assets and security of buildings and or information are particularly high risk areas where problems may not be identified by the auditor.

- 3.5 Spot checking should be appropriately targeted and risk assessed, so as to maximise the benefit as spot checking can carry an administrative burden and cost where it may disrupt services.
- 3.6 Spot checking was employed successfully in our recent Information Security Follow Up audit.
- 3.7 A clear policy to include unannounced 'spot' checking in the audit planning should be agreed with Chief Officers, including promotion of that policy to ensure understanding by staff and managers that spot checking is possible, is approved and is likely to take place where it is necessary and proportionate and the benefits it provides. Initial areas are cash floats and desirable portable asset verification.
- 3.8 The Local Audit and Accountability Bill was announced in the Queen's Speech 2013. The Bill would close the Audit Commission, make new arrangements for the audit of local public bodies and increase local accountability. The main elements of the bill are:
  - Saving taxpayers' money on local audit
  - More direct democracy on council tax
  - Tackling 'Town Hall Pravdas'
- 3.9 Consultation on the bill has been reported to the Committee previously.
- 3.10 A project has been started to consider options for the schools audits offering and proposals will be reported to the Committee at a later date.
- 3.11 A synopsis providing an update on the Information Security Follow Up Audit work appears at Appendix C.

#### **4. NAS Reports having Corporate Significance**

- 4.1 The following criteria are used to assess whether reports are of corporate significance:
  - The amount of money that is at risk, normally this will be material amounts
  - Any policy implications for the Council as a whole
  - Topical issues, having a potential political or public interest
  - Where it has not been possible at COG to reach agreement on significant issues or the action that is required to address the issues
  - Where agreed action has not been taken at the time of the follow-up audit.
- 4.2 There were no corporately significant reports issued in the quarter ended 31 March 2013.

#### **5. The difference we are making**

- 5.1 Audit findings have provided assurance or where necessary led to agreed actions to address any identified weaknesses in risk management and internal control. This demonstrates the Council's good Value for Money and thus supports the Council's

Plan and its Strategic Ambitions. No actual savings or potential savings have been noted as a result of our audit work and grant claim certification in the last quarter.

- 5.2 Sufficient final and draft reports and follow up audits have been completed to inform the opinion detailed in paragraph seven below.
- 5.3 Norfolk Audit Services' work continues to give due consideration to the risk of fraud and corruption and to the controls in place to mitigate those risks.
- 5.4 Norfolk Audit Services have adopted a "Statement of Customer Pledge and Remedy" which is published on the Council's internet. NAS issues Customer Satisfaction Questionnaires with the draft reports and has received overall positive feedback from these questionnaires for the quarter ended 31 March 2013. Of the 53 reports issued in the quarter and eight grants signed off, 14 questionnaires were returned. Complimentary comments were made 'We found the NAS team to be constructive & supportive in their approach and the suggestions made useful for making improvements.' Of the 14 questionnaires, 107 questions were asked. 83.18% of clients were very satisfied, 16.82% were satisfied, and there were no clients who were disappointed or very disappointed.

## **6. The Transformation Programme**

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

## **7. Overall Opinion**

- 7.1 All audit reports contain an overall audit opinion on the adequacy and effectiveness of risk management and internal control, indicating whether the area concerned is either 'acceptable' or if 'key issues need to be addressed'.
- 7.2 My opinion is that the adequacy and effectiveness of risk management arrangements and internal control within the Council is '**Acceptable**' and therefore considered 'Sound'.
- 7.3 My opinion is based upon:
- Final reports issued in the quarter (representing a proportion of the planned audit coverage for the year).
  - The results of any follow up audits.
  - The results of other work carried out by internal audit.
  - The corporate significance of the reports.

## **8. Environmental Implications**

- 8.1 Norfolk Audit Services makes every effort to reduce its carbon footprint. Distance travelled is taken into account when booking audits outside of the County Hall, booking auditors living closest to the venues. Our team uses all recycling facilities available to us working at County Hall in order to reduce consignment to landfill. We monitor our printing/photocopying usage half yearly and encourage people to reduce where they can.
- 8.2 This report does not contain any proposed change, which may have an environmental implication.

## **9. Equalities Impact, Resource and Other Implications**

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

## **10. Section 17 – Crime and Disorder Act and Anti Fraud and Corruption**

- 10.1 Under Section 17 of the Crime and Disorder Act, the Council has a statutory general duty to take account of the crime and disorder implications of all its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.
- 10.2 Internal Audit work helps with the aim of prevention of crime in Norfolk in that its work results in the likelihood of detection and prosecution increasing.
- 10.3 The profile of Anti Fraud and Corruption arrangements remains high and we are responding to the challenges that arise. Our Anti Fraud and Corruption Strategy, approved by the Audit Committee in September 2011, remains in place.

## **11. Risk Management**

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

## **12. Conclusions**

- 12.1 53 final Reports, three follow-up reports and eight grant claims have been issued in the quarter to support the opinion that the adequacy and effectiveness of the risk management and internal control within the council is 'acceptable' and therefore considered sound.
- 12.2 NAS has received positive feedback on audits during the quarter ended 31 March 2013.
- 12.3 A clear policy to include unannounced 'spot' checking in the audit planning should be agreed with Chief Officers, including promotion of that policy to ensure understanding by staff and managers that spot checking is possible, is approved and is likely to take place where it is necessary and proportionate and the benefits it provides. Initial areas are cash floats and desirable portable asset verification.

## **13. Recommendation**

- 13.1 The Audit Committee is asked to consider and comment on:
- the overall opinion on the effectiveness of risk management and internal control being 'Acceptable' and therefore considered 'Sound'.
  - A clear policy to include unannounced 'spot' checking in the audit planning being agreed with Chief Officers, including promotion of that policy to ensure understanding by staff and managers that spot checking is possible, is approved and is likely to take place where it is necessary and proportionate and the benefits it provides. Initial areas are cash floats and desirable portable asset verification.

### **Officer Contact**

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

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**Norfolk Audit Services  
Final Reports Issued in the Quarter Ended 31 March 2013**

There were 53 final reports and eight grant claims certified during the quarter. There were also three follow up reports completed in the quarter.

**Final Reports**

**Children's Services**

1. CareFirst - Quality of Data
2. Early Years Providers - Central Monitoring
3. Preliminary Assessment - Contract Management of a Provider
4. Troubled Families Grant

**Contracts and Procurement**

5. Contract Monitoring - Community Services
6. Facilities Management
7. Tendering processes conducted by others in NCC

**Corporate Resources**

8. Performance Management

**Environment, Transport and Development**

9. Controlled Parking Enforcement
10. Decriminalised Parking on Street Norwich / NCC
11. Target Costing

**Finance**

12. Accounts Receivable 2011-12
13. Carefirst Financials - Community Services - Nursing Care
14. Carefirst Financials - Community Services - Residential Billing
15. Carefirst Financials - Community Services - Residential Payments
16. Payroll Bankers Automated Clearing System (BACS) Bureau

**Fire**

17. Payroll - Retained Payments
18. Priority Based Budgeting and Delivery of Fire Ahead

**Health and Safety**

19. Stress Management

**ICT**

20. Physical Security

## **Schools**

21. Alington & Bergh Apton CE VA Primary School
22. Avenue Junior School
23. Aylsham High School
24. Blakeney CE VA Primary
25. Castle Acre CE VC Primary School
26. Diss CE VC Junior School
27. Eaton Primary School
28. Emneth Nursery School
29. Emneth Primary School
30. Framingham Earl High School
31. Great Dunham Primary School
32. Gresham Village School
33. Grove House Nursery and Infant School
34. Hethersett Woodside Infant & Nursery School
35. Hindringham CE VC Primary School
36. King's Park Infant School
37. Loddon Infant & Nursery School
38. Loddon Junior School
39. Neatishead VC Primary School
40. North Denes Junior School
41. Overstrand The Belfry CE VA Primary School
42. Rackheath Primary School
43. Reepham High School & College
44. Rockland St Mary Primary School
45. Roydon Primary School
46. Salhouse CE VC Primary School
47. St Clements High School
48. St Peter & St Paul CE VC Primary School
49. Swaffham CE VC Infant School
50. Upwell Community Primary School
51. Watlington Community School
52. William Marshall VC Primary School
53. Wroughton Junior School

## **Grants claims certified**

1. HMS (Heritage and Maritime Memories in the 2 Seas Region)
2. Leader
3. Landskills 9
4. PRISMA (Promoting Integrated Sediment Management)
5. PROSESC (Producer Services for European Sustainability and Competitiveness)
6. RINSE (Reducing the Impacts of Non-native Species in Europe)
7. RINSE Lead Partner
8. STEP (Sustainable Tourism in Estuary Parks)



### **Schedule of Follow Up Audits Completed in the Quarter ended 31 March 2013**

#### **Corporate Resources**

1. Corporate Data Quality

#### **Schools**

2. Beeston Primary School
3. Howard Infant and Nursery School

### **Information Security Follow Up Audit Synopsis**

Internal Audit have completed the majority of the unannounced visits as part of the further and extended follow up audit and the remaining two visits were completed during May 2013 to enable full reporting of the outcomes for inclusion in the Annual Governance Statement 2012-13 in June 2013.

The new Information Management Service recognizes and is taking robust action on our original findings and has recently agreed an information security communication plan which is being rolled out over the coming six months. The actions within that plan support our audit findings and will remind all staff and Managers of their duties in relation to Information Management and Data Protection, including the need for further:

- Strengthening of departmental and corporate monitoring of compliance with the Information Security Policy
- Strengthening of corporate policies on how to identify breaches of non compliance and also working at home policies in relation to information security
- Clarification and promotion of the roles and responsibilities of DISOs
- Strengthening of controls to ensure Departmental or Corporate lists of encrypted and unencrypted equipment are up to date

**Norfolk Audit Services**  
**Annual Internal Audit Report 2012-13**

**Report by Head of Finance**

This report introduces the Chief Internal Auditor's Annual Internal Audit Report for 2012-13.

It is recommended that the Audit Committee should consider the Annual Internal Audit Report 2012-13 (Appendix A) and the key messages that:

- based on this report the Head of Finance can assure the Committee that the adequacy and effectiveness of the system of internal control including the arrangements for the management of risk during 2012-13 was acceptable and is therefore considered sound,
- internal audit was adequate and effective during 2012-13; and
- the work of Norfolk Audit Services for the year and the assurance provided assists the Committee to reasonably assess the risk that the Financial Statements are not materially mis-stated due to fraud. The risks of Fraud and Corruption have been reviewed in the light of the economic downturn and planning and resources are considered adequate.

**1 Introduction**

- 1.1 The Accounts and Audit (England) Regulations 2011 require that the Council must undertake an adequate and effective internal audit of its accounting records and its systems of internal control in accordance with proper practices and at least once in each year conduct a review of the effectiveness of its internal audit.
- 1.2 The attached Chief Internal Auditor's Annual Report is attached as Appendix A and this sets out how we comply with these requirements.

**2 Risk Management**

- 2.1 This report has fully taken into account any relevant issues arising from the Council's policy, strategy and procedures for risk management and any issues identified in the corporate and departmental risk registers. There is a good relationship between internal audit and those responsible for monitoring and reporting on risk.

### **3 Equalities Impact, Resource and Other Implications**

- 3.1 There are no equalities, resources or other implications arising from this report.

### **4 Section 17 Crime and Disorder Act**

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

### **5 Recommendation**

- 5.1 It is recommended that the Audit Committee should consider the Annual Internal Audit Report 2012-13 (Appendix A) and the key messages that
- based on this report the Head of Finance can assure the Committee that the adequacy and effectiveness of system of internal control including the arrangements for the management of risk during 2012-13 was acceptable and therefore considered sound,
  - internal audit was effective during 2012-13 and
  - the work of Norfolk Audit Services for the year and the assurance provided assists the Committee to reasonably assess the risk that the Financial Statements are not materially mis-stated due to fraud. The risks of Fraud and Corruption have been reviewed in the light of the economic downturn and planning and resources are considered adequate.

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**Annual Internal Audit Report  
2012 – 2013**

**Chief Internal Auditor  
Norfolk Audit Services**

Norfolk Audit Services

**Norfolk Audit Services**  
**Annual Internal Audit Report 2012-13**

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Appendix 1 – Internal Audit Work Summary

Appendix 2 – Technical Notes

# **Norfolk Audit Services**

## **Annual Internal Audit Report 2012-13**

### **1 Introduction**

- 1.1 This annual internal audit report helps the Audit Committee to assess the performance of Norfolk Audit Services (NAS) and informs Chief Officers, clients and staff of our work and how we add value. This report also supports the Council's Annual Governance Statement with an assurance on the Council's system of internal control, which includes the arrangements for the management of risk. The report includes
- the work we carried out in 2012-13 and key messages,
  - our performance,
  - our compliance with the Accounts and Audit Regulations and recognised standards; and
  - assurance that the system of internal control including the arrangements for the management of risk and anti-fraud and corruption arrangements exist and are sound, adequate and effective, in accordance with the relevant regulations.

### **2 Background and Audit Opinion Explained**

- 2.1 The County Council's Finance Shared Service exists to provide a financial advisory, transactional and support service to the Council and its customers. The Shared Service is principally focused on delivery of its services to Norfolk County Council; to maintained schools in Norfolk; and to the Norfolk and Suffolk Probation Trust.

Primarily the shared service aims to:

- Provide a timely, effective and professional service through being a valuable business partner;
- Be recognised as an excellent finance function; high performing; modern and innovative;
- Provide financial advice, financial information and support which is valued and adds value and which is adaptable to change;
- Support the customer to achieve operational efficiencies, value for money and innovation in line with their service objectives; and
- Enable the customer and their teams to become financially excellent in order to successfully meet the financial challenges of the future.

Our model of service aligns to other shared support service delivery across the council.

- 2.2 Internal Audit is a Centre of Expertise within the Finance Shared Service and aims to support the Council's strategic ambitions and objectives. Work is planned and performed with reference to the NCC strategic ambitions

**Norfolk Audit Services**  
**Annual Internal Audit Report 2012-13**

- a vibrant, strong and sustainable economy,
- aspirational people with high levels of achievement and
- an inspirational place with a clear sense of identity.

2.3 During the year internal audit reported as follows:

- detailed reports to the relevant Chief Officers
- quarterly summary reports to the Chief Officers' Group,
- quarterly reports to the Audit Committee and
- relevant topical reports to the Audit Committee as requested.

2.4 The internal audit service of the County Council provides assurance to Council, the Cabinet, the Audit Committee, the Acting Managing Director, the Head of Finance, the Monitoring Officer and other Chief Officers. Our role is explained in detail in the notes at Appendix 2 (TN 1).

2.5 As part of the overall Good Governance Framework, the Head of Finance provides an annual opinion on the adequacy and effectiveness of the system of internal control including risk management. This informs the Council's reporting of the Annual Governance Statement, which is published with the Annual Statement of Accounts.

2.6 The Chief Internal Auditor's overall audit opinion, that the adequacy and effectiveness of the system of internal control including risk management for the Council is 'Acceptable' and therefore considered 'sound', is based on work undertaken during the year. Opinion definitions are explained in the notes at Appendix 2 (TN 2).

2.7 The collective assurance roles of internal audit, other internal assurance providers and external audit are coordinated and optimized. The resourcing of the internal audit function is considered adequate.

### **3 Key Messages**

3.1 The key messages in this Chief Internal Auditor's Annual Report are that:

- the Head of Finance and the Audit Committee can be assured that the adequacy and effectiveness of the system of internal control including risk management for the Council is 'Acceptable' and is therefore considered 'sound'. Sufficient audits were performed and reported during 2012-13 to support this opinion. Details of our performance appear in part 4 and Appendix 1, Table 1
- the internal audit service is valued by Members, officers and clients alike. The External Auditor issued an unqualified value for money conclusion which scope included internal audit's work for 2011-12. Satisfactory action has been taken on recommendations that were made
- the Head of Finance promotes effective formal and informal communication with internal audit. The team promotes good practice through our professional advice, newsletters and reports

## **Norfolk Audit Services**

### **Annual Internal Audit Report 2012-13**

- the team has exceeded the required savings during the year by implementing the approved team structure, organisational developments and put in place further efficiencies
- our self assessment confirms that the Internal Audit function met the CIPFA Code of Practice 2006 and we have implemented the new UK Public Internal Audit Standards ready for 2013-14. Our CIPFA benchmarking confirms that we provide a value for money service compared with other Counties
- the role of the Chief Internal Auditor is compliant with CIPFA's published, 'role of the head of internal audit - in public service organisations'
- there are Anti-Fraud and Corruption controls in place. The Anti Fraud and Corruption Strategy was updated in September 2011. With the publication in April 2012 of 'Fighting Fraud Locally' expectations continue to rise and further strengthening of controls continues. There were only two non-significant frauds reported during the year; and
- our work assists the Committee to reasonably assess the risk that the financial statements are not materially mis-stated due to fraud.

3.2 Other significant points to note are detailed in the notes in Appendix 2 (TN 3).

3.3 Key future development areas for the team in 2013-14 are

- adopting a more reactive planning approach and presenting quarterly audit plans to this Committee for approval
- managing costs, commercial behaviours, performance and achieving 90% of draft and final reports from the Annual Internal Audit Plan issued within the relevant financial year; and
- delivering on national developments, such as the 'Fighting Fraud Locally' and the UK Public Sector Internal Audit Standards in our internal audit work.

## **4 Internal Audit Work and Benchmarking our Value for Money**

4.1 The internal audit work was performed through the delivery of the Annual Internal Audit Plan approved by the Audit Committee at the start of the audit year. A summary of the work for 2012-13 is attached as Appendix 1, table 1. During the year it was appropriate to add some topics to the plan and to remove others on a risk assessed basis. The details of these changes were reported to the Audit Committee as part of the quarterly updates.

4.2 We reported on 96% of the planned schools audits.

4.3 For the Non-school audits 87% of expected draft and final reports were complete at year end. The remaining audits were 'work in progress' at year end. Of those work in progress audits all of them were started late in the year as planned. The work in progress audits were carried forward into the current audit year and at the end of May 2013, 7 of those reports had reached draft stage and 13 had been issued as final. The remaining 3 audits are expected to be completed by the end of July 2013.



**Norfolk Audit Services**  
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- 4.4 All of the grant certifications were completed during the year.
- 4.5 In addition to the work set out in Appendix 1 the team completed other adhoc work as follows:
- Advice reports for Chief Officers
  - Anti-Fraud and Corruption Strategy development in line with Fighting Fraud Locally recommendations
  - Training for Audit Committee Members developed and delivered
  - Investigation of allegations regarding potential financial or internal control matters.
- 4.6 Benchmarking of the internal audit function has shown that we perform well and that we provide value for money. The 2013 CIPFA Internal Audit Benchmarking concluded that for 2012-13 (actuals), compared to other County Internal Audit Teams we have
- an audit cost per £'m turnover which remains below the average cost at £474 per £'m gross turnover; and
  - a cost per chargeable day at £285, which is at the average level.
- 4.7 The Internal Audit Team is a Centre of Expertise within the Finance Shared Service. The team had a plan to achieve up to £102,000 (12%) efficiency savings on the 2009-10 base, over three years. The overall cumulative saving requirement of £102,000 by the end of 2012-13 has been achieved through restructuring the number and mix of staff in the team, supported by better ways of working.
- 4.8 During the year we have continued to work with colleagues in the Corporate Programme Office and provide advice, support and challenge in order to seek assurance on the continued good governance, internal controls and risk management of services that are subject to organisational change, through the Council's 'Transformation Programme'. To ensure a joined up approach, consistency and to avoid duplication, we are reporting to the Audit Committee our conclusions on the management of the change programme based upon our review of the existing reporting to Chief Officers and Members. If any exceptions are reported or we are requested by Chief Officers we will consider if more detailed audit work is required. The performance management framework for Norfolk County Council is reported to Cabinet. The achievements from and any risks for the change programme are reported to Members and Chief Officers via a 'dashboard', risk registers and financial reporting. The key projects are supported and closely monitored by the relevant Finance Business Partners reporting to the Head of Finance.
- 4.9 Following refreshed guidance and feedback from the Department for Communities and Local Government (our second level controllers for EC funding grants) we have continued strengthening the support we provide to Project Managers and ensuring compliance to the rules for all our grants work.

**Norfolk Audit Services**  
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- 4.10 During the year the team recruited an Audit Apprentice which supports the Council's policy to encourage and support Apprenticeships in the County.

**5 Value for Money Assessment**

- 5.1 New Value for Money Criteria were established by the Audit Commission. Value for money is now measured through:
- Efficiency
  - Financial Resilience
- 5.2 The Council received an unqualified value for money assessment for 2011-12.

**6 Review of effectiveness of systems of Internal Audit**

- 6.1 The Council's system of internal audit during 2012-13 was sound, adequate and effective in accordance with the requirements of the Accounts and Audit (England) Regulations 2011. Details of the regulations and the approach taken are provided in Appendix 2 (TN5)

**7 Chargeable work**

- 7.1 Our chargeable work continues to make a positive contribution to the Council.
- 7.2 Internal Audit carried out chargeable work for the Norfolk Pension Fund and Eastern Inshore Fisheries and Conservation Authority (EIFCA) formerly the Eastern Sea Fisheries Joint Committee. This work helps overall to reduce the net cost of internal audit to the Council and allows internal audit staff to continue to develop valuable skills and build on experience. The clients benefit from a high standard of internal audit and we are also able to build good relationships with our local colleagues, helping to raise the profile of the County Council in the process.
- 7.3 Internal Audit also undertakes work on the Certification of Grant Claims including many that are EC sponsored.

**8 Quality Assurance**

- 8.1 A Quality Strategy for Internal Audit is in place, which includes a Quality Assurance Programme. This was used to review completed audit projects during the year to ensure they met quality standards. Internal Audit procedures are subject to continuous review and are updated during the year. This year the procedures were updated to incorporate the new UK Public Sector Internal Audit Standards requirements, which came into force from 1 April 2013. No significant exceptions were noted from that work.

## **Norfolk Audit Services**

### **Annual Internal Audit Report 2012-13**

- 8.2 Internal Audit reports progress on the audit plan and feedback from customer satisfaction questionnaires to the Chief Officer Group and the Audit Committee quarterly. NAS has received overall positive feedback during the year ended 31 March 2013.

## **9 Engaging Specialists**

- 9.1 During 2012-13, after following appropriate approvals, we engaged specialists from external sources to deliver audits that require expertise that did not exist in the team, for ICT and Health & Safety audits. This ensured that these areas received high quality assurance whilst ensuring value for money.

## **10 Working with the External Auditors**

- 10.1 The new external auditors, Ernst and Young are auditing the Council's Statement of Accounts for 2012-13. Internal Audit maintains a very good working relationship with the audit team at Ernst and Young and NAS work is planned and co-ordinated to ensure that there is:
- no duplication of work
  - not an undue "audit burden" on clients at any one time during the year, and
  - an efficient "joint" assurance service to the Council.
- 10.2 A specific piece of work was delivered by Norfolk Audit Services, with the prime objective of supporting the additional work needed in Year 1 of the new external audit team's audit regime.

## **11 Annual Governance Statements**

- 11.1 In addition to the Council's own Annual Governance Statement, to be reported to this Committee in June 2013, NAS internal audits provided assurances on the adequacy and effectiveness of internal controls and risk management for the following committees
- NCC Pensions Committee and
  - Norfolk Joint Museums and Archaeology Committee.
- 11.2 Each Joint Committee will receive and approve its own Annual Governance Statement for 2012-13, to be published with its own annual Statement of Accounts.
- 11.3 The Norfolk Records Committee and the Eastern Inshore Fisheries and Conservation Authority (EIFCA) (formally Eastern Sea Fisheries Joint Committee) are designated a "smaller relevant body" under the Accounts and Audit (England) Regulations 2011 and as such are subject to a simpler process and the governance arrangements and internal audit are included in a composite Annual Return by way of a questionnaire.

**Norfolk Audit Services**  
**Annual Internal Audit Report 2012-13**

## **12 Responsibilities in relation to Fraud and Corruption**

- 12.1 Under section 17 of the Crime and Disorder Act the Council has a statutory general duty to take account of the crime and disorder implications of all of its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.
- 12.2 Internal Audit work helps to deter crime, or increase the likelihood of detection by making crime difficult, increasing the risks of detection and prosecution and reducing rewards from crime. Internal audit's work is planned in order to cover the higher risk areas including where weaknesses in controls might increase the risk of theft, fraud or corruption. An action plan is agreed for any weaknesses that are identified during audits.
- 12.3 An action plan has been agreed to continue the ongoing development of a strong anti-fraud culture within the Council. The Audit Committee receives six monthly Update reports on the Anti Fraud and Corruption Strategy. The Council meets the requirements of the International Standard on Auditing (ISA 240) as described in the notes in Appendix 2 (TN 7).
- 12.4 The Council had 2 cases of detected fraud during 2012-13. Detected fraud is defined as where an investigation of an allegation has assessed that, on the balance of probability, there was misconduct that led to an action by management, possibly including recovery of loss, disciplinary action or a prosecution. These cases were later reported to the Audit Commission in their Annual Fraud and Corruption Survey 2012-13.

## **13 Acknowledgements**

- 13.1 I would like to thank Chief Officers, managers and staff for their co-operation and assistance during the year.
- 13.2 The Internal Audit team has worked with the Council's managers and staff to deliver assurance on the adequacy of the Council's internal controls and risk management. The team's work has been acknowledged as meeting required standards and savings at a time when expectations of quality both internally and externally are rising. I would like once again to acknowledge the commitment, efforts and achievements of the team over the year.

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**Norfolk Audit Services**  
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**Appendix 1**

**Table 1: Internal Audit Work Summary 2012-13 (2011-12)**

	<b>Approved Plan</b>	<b>Net Additions/ Cancelled/ Postponed In Year</b>	<b>Final Target</b>	<b>Final Reports Issued</b>	<b>% Final</b>	<b>Draft Reports Issued</b>	<b>Total Reports Issued</b>	<b>Percentage Delivery 2012-13 (and 2011-12)</b>
Audits in Approved Plan – Non Schools	89 (91)	-19 (-30)	70 (61)	36 (34)	51 (56)	11 (3)	47 (37)	<b>67 % (61%*)</b>
Audits in Approved Plan – Schools	102 (120)	-	102 (120)	88 (120)	86 (100)	10 (0)	98 (120)	<b>96 % (100%)</b>
<b>Total excl. Grants</b>	<b>191 (211)</b>	<b>-19 (-30)</b>	<b>172 (181)</b>	<b>114 (154)</b>	<b>66 (85)</b>	<b>21 (3)</b>	<b>145 (157)</b>	<b>84 % (87%)</b>
Grants	32 (30)	- (-3)	32 (27)	32 (25)	100 (93)	0 (1)	32 (26)	<b>100 % (96%)</b>
<b>Overall Total</b>	<b>223 (241)</b>	<b>-19 (-33)</b>	<b>204 (208)</b>	<b>146 (179)</b>	<b>72 (86)</b>	<b>21 (4)</b>	<b>177 (183)</b>	<b>87 % (88%)</b>

**Notes for Table 1:**

- 1 Follow up work was also undertaken during the year; generally the follow up audits are completed six months after the final reports are issued. For non-schools audit work, where there was an opinion of “key issues to be addressed” a process was adopted which placed a greater reliance on management assurances that appropriate action had been taken with respect to the reports. For schools audit work, the follow up reports were completed by the Children’s Services finance team and Norfolk Audit Services place reliance upon their work. With respect to follow up work, all points in the reports were addressed satisfactorily.
- 2 Preliminary Assessments of allegations were carried out during the year. Such work is reactive and cannot be forecast at the start of year when the plan is prepared. Investigations are reported to the Audit Committee in the quarterly reports when they are completed as reporting prior to then could prejudice the investigation and/or any criminal prosecutions that might ensue from such work.

**Norfolk Audit Services**  
**Annual Internal Audit Report 2012-13**

**Appendix 2**

**Technical Notes:**

**TN1 Our service**

NAS provides the internal audit service of the County Council to provide assurance to the Council, the Cabinet, the Audit Committee, the Chief Executive, the Head of Finance, the Monitoring Officer and other Chief Officers. Its role is to ensure that there is evidence of compliance with the Council's objectives, controls, rules and procedures. Where such compliance does not exist, internal audit makes recommendations to ensure that proper arrangements are in place. Some audits carried out are based on the perceived risk to the Council as assessed using the internal audit risk model, corporate and departmental risk registers and others are requested by Chief Officers or the Audit Committee. The scope of NAS's work also extends to partnership arrangements in accordance with the CIPFA Code of Practice 2006. That Code was replaced from 1 April 2013 with the UK Public Sector Internal Audit Standards.

The Head of Finance has reported on the results of Internal Audit's work and an opinion on the adequacy and effectiveness of the system of internal control including the management of risk and fraud and corruption both to the Chief Officers Group and to the Audit Committee during the year on a quarterly basis. Those periodic reports include details of the audit work on which the opinion is based. A sufficient number of audits from the Audit Plan were performed to support the Chief Internal Auditor's opinion. Action plans, agreed with the relevant Chief Officers and their staff, are included in final audit reports.

The approach NAS took to its role was set out in its, Terms of Reference, Code of Ethics and Strategy. These were approved by the Audit Committee at the meeting in January 2012 and again in January 2013.

The Internal Audit team has provided an effective, efficient and economic service during the year, supporting the Audit Committee, the Chief Officers Group and their Services. The team has championed the strengthening of internal control and anti-fraud arrangements and provided advice and assurance.

**Norfolk Audit Services  
Annual Internal Audit Report 2012-13**

**TN 2 Opinion Definitions**

Each report has one of two possible grades, which are set out in the table below:

<b>Opinion</b>	<b>Assessment of internal control</b>	<b>Action required from the recipient – as agreed with the auditors</b>
Acceptable	Few or no weaknesses, mostly insignificant	Remedial action required within six months
Key issues that need to be addressed	A number of weaknesses, mostly significant or one or more major weaknesses	Remedial action required immediately or within six months

**TN 3 Other significant messages**

Other significant points to note are were that:

- the Council's systems of internal audit were effective during 2012-13 for the purposes of the Accounts and Audit (England) Regulations 2011,
- use of NAS auditing software continues to develop to support our work,
- contractors have continued to be used to deliver specialist audit services such as ICT audits and Health and Safety audits,
- chargeable work, for instance external clients and grant certification, continues to make a positive contribution,
- NAS has supported the work to ensure that each relevant Joint Committee receives and approve their own Annual Governance Statement for 2012-13 to be included with their annual Statement of Accounts; and
- NAS has received overall positive feedback on audits during the year ended 31 March 2013 (see quarterly reports to the Audit Committee).



## Norfolk Audit Services Annual Internal Audit Report 2012-13

### **TN 4 Internal Audit Work**

A key performance indicator is the number of audits completed to a stage where relevant officers have been informed of the findings and an audit opinion can be formed. For 87% (88% in 2011-12) of audits this was the case. It is considered that this provides a reasonable basis to draw a representative audit opinion that a sufficient amount of audit work has been completed.

The team promoted good practice through our professional advice, newsletters and reports.

During the year as part of our efficiencies and to contribute to the Council's savings requirement we managed a number of vacancies and cases of long-term absence. This meant that it was necessary to review some lower priority work on the audit plan. It was considered to not replace 19 audits from the approved Annual Internal Audit Plan on a risk-assessed basis, as shown in Table 1 of Appendix 1 (Net Additions/Cancelled/Postponed in Year column). These changes were agreed with the Head of Finance and reported to the Audit Committee.

The internal audit management team reviews the key risks which need to be managed for the service. We reviewed our training policy in light of the financial pressures to ensure it remains consistent with the business needs.

The work of NAS covers all areas of the Council's activities and continues to evolve and improve. Audits are generally carried out based on the perceived risk to the Council as assessed using the NAS risk model, the corporate and departmental risk registers or, they may be requested by Chief Officers or the Audit Committee. Internal Audit uses every opportunity to promote best practice as identified through professional networks and from our audit findings. Internal Audit produce and publish a termly Newsletter for Schools which covers topics such as changes to financial procedures, trends in audit findings and fraud risk alerts.

### **TN 5 Review of the Effectiveness of Systems of Internal Control**

The Accounts and Audit (England) Regulations 2011 SI2011 No. 817 came into force on 31<sup>st</sup> March 2011 and apply to the year ending 31<sup>st</sup> March 2012 onwards. They require that:

- An adequate and effective internal audit of accounting records and of its system of internal control, in accordance with proper practices in relation to internal control, must be undertaken

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- the effectiveness of the Council's systems of internal audit be reviewed annually.

The method used in 2012-13 to review the effectiveness of the Council's systems of internal audit was to review information on the effectiveness of the management processes and corporate control functions (legal, financial, health and safety and human resources) as provided by self assessment, customer feedback and any existing external performance reviews. An annual assessment of compliance against the CIPFA Code of Audit Practice is undertaken.

The Council's system of internal audit and the assurance on their effectiveness is as follows:

- internal audit – the annual plan and work of internal audit\*; and
- management processes of checking, reconciliations, supervisions and controls.

\*The annual internal audit plan includes the Council's main systems, and different elements of each system on a rotational basis and our opinion on these is "Acceptable" (see Section 3 above). The results of internal audit work for 2012-13 have been summarised in Table 1 of Appendix 1 of this report.

### **TN 6 The Council's Financial Statements and Fraud (ISA 240)**

During the year internal audit have reviewed the internal controls and risk management of the Council's main financial systems. Those systems cover the transactions, balances and assets of the Council. That work and the assurance it provides helps this Committee to reasonably assess the risk that the Council's Financial Statements are not materially misstated due to fraud.

Internal Audit has planned and delivered audits during the year, which include reasonable measures to detect fraud and to give assurance on internal controls that would prevent it. Reports on the audit findings clearly set out those findings which increase the risk of fraud and whose responsibility it is to ensure that recommendations are completed.

The Council has an Anti Fraud and Corruption Strategy, which covers the scope of this Committee. The Strategy has been applied where appropriate throughout the year and any significant fraud investigations have been reported where they have been completed. There have been a small number of preliminary assessments of allegations for the Council during the year. The Committee are therefore aware of the process for identifying and

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responding to the risks of fraud generally and of the specific risks of mis-statement in the financial statements when they are asked to approve the Annual Financial Statements at the end of the year.

Actual fraud cases that have been fully investigated are reported in summary to the Audit Committee. The Chairman would be informed of any significant fraud which had implications for this Committee. There have been two minor cases during the last year one leading to a dismissal and the other a written warning. The Committee is therefore aware of the arrangements in place for Chief Officers to report fraud to the Committee. The Committee has knowledge of actual or suspected fraud and the actions that Chief Officers are taking to address it when required.

The Anti-Fraud and Corruption Strategy, Whistle blowing Strategy, Money Laundering Policy and the Standards of Conduct are promoted through staff newsletters and on the Council's Intranet site as well as through training for non-financial managers. The Committee is aware, through the reports it receives, of the arrangements Chief Officers have in place for communicating with employees, members, partners and stakeholders regarding ethical governance and standards of conduct and behaviour. The Council's Audit Committee has responsibility for reviewing the Anti-Fraud and Corruption arrangements. The Audit Committee approved a revised Anti-Fraud and Corruption Strategy in September 2011. This Committee also receives this Annual Internal Audit Report, Risk Management reports and other reports from the Audit Commission giving assurance on the adequacy and effectiveness of risk management an internal control, Anti Fraud and Corruption measures and of the Council's governance and value for money arrangements. These assurances support the Annual Governance Statement that this Committee considers and approves. The Committee therefore oversees management arrangements for identifying and responding to the risks of fraud and the establishment of internal control.

## **Internal Audit Plan 2013-14 for Quarter 3**

Report by the Head of Finance

### **Summary**

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

### **Recommendation**

The Committee is asked to

- note that there has been no overall change to the 1,840 audit days (plus £25,000 contractor allowance) in the total strategy. As a result of some changes in planned audits for Quarters 1 and 2, there are 490 overall audit days proposed for quarter 3 (322 to support the audit opinion)
- note that the proposed audit plan meets the legislative requirement of the Accounts and Audit (England) Regulations (2011)
- confirm the allocation of days set out in Appendix A to meet the various elements of the strategy approved by the Audit Committee on 31<sup>st</sup> January 2013
- consider if it wishes to amend the schedule of audits, for 322 days, set out in Appendix B1 and to note the outline topics in Appendix B2 (for Quarter 4) to deliver the audit work to support the opinion and
- note that the internal audit plan for Quarter 3 of 2013-14 makes adequate provision for the risks arising from organisational change, the economic downturn and that resources are sufficient to accomplish the plan.

## **1. Background**

- 1.1. The overall Internal Audit planning approach for the 2013-14 audit plan was approved by the Audit Committee on 31<sup>st</sup> January 2013 at Item 12, available at the link below.

<http://www.norfolk.gov.uk/download/audit310113minspdf>

- 1.2. Norfolk Audit Services (NAS) has followed this agreed approach during the production of this second draft three month internal audit plan. Included within this approach has been a process of consultation with senior management. This has provided the opportunity for comment on any actual events and significant concerns they may have regarding risk, internal control and governance, and where relevant these have informed our planning on a risk assessed basis.
- 1.3. The number of overall audit days to be delivered to the Council in 2013-14 was approved in the Approach paper presented to the January meeting of the Committee at 1,840 audit days. There was also additional Contract Auditor time valued up to £25,000.
- 1.4. The Council must undertake an adequate and effective internal audit to meet the requirements of the Accounts and Audit (England) Regulations (2011). The proposed audit plan meets this statutory requirement. The planning also meets relevant standards (UK Public Sector Internal Audit Standards, UKPSIAS). Internal Audit must establish risk based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals. The plan must take into account the requirement to produce an annual internal audit opinion, the relative risk maturity of the organisation and the assurance framework. Internal Audit identifies and considers the expectations of senior management, the Audit Committee and other stakeholders for internal audit opinions and other conclusions. The plan and resource requirements need to be communicated to senior managers and the Audit Committee for review and approval.
- 1.5. Chief Officers and the External Auditors have been consulted with respect to the proposed plan.

## **2. Proposed internal Audit Plan**

- 2.1 The proposed three month Internal Audit plan for Quarter 3 of 2013-14 is shown in Appendix A and in B1, an outline of the remainder of the year is shown in Appendix B2 and notes for audits in Quarter 3 appear in Appendix C. The additional Contractor time is included in these projections
- 2.2 Appendix A sets out the resource requirements to deliver the Internal Audit Strategy. Appendices B1 and B2 (detail) set out the resources to deliver one key element of the Strategy, the audit opinion. The 2013-14 proposed quarter 3 internal audit plan takes particular account of the transitional changes impacting on the governance and internal control issues arising from the economic, budgetary and organisational changes.
- 2.3 The top five risk priorities of the internal audit activity are:

- That sound Financial Management and Governance is in place, that there is compliance and where exceptions occur that is identified and treated in a timely manner
  - The risks associated with transformational change in the organisation. That change objectives (organisational and financial) are met and internal controls are maintained during and after that change
  - Anti Fraud and Corruption work, particularly prevention and detection work (per Fighting Fraud Locally Strategy)
  - That assets, physical and information, are secured and controlled effectively, including data quality
  - That Commissioning, Procurement and contract management are well governed and achieve value for money.
- 2.4 Our audit planning for the third quarter of 2013-14 and those audits we have outlined for the remainder of the year feature audits that will provide assurance on these and other significant risks that have been identified in our audit needs assessment. Our priorities are explained in more detail below.
- 2.5 Audits to address the “change management process” (Appendix B1) are the audits that review risks arising from changes in the internal control arrangements as a result of various initiatives and changes that have taken place in the last year or so, or are likely to place in the coming year. These include risks that may arise from:
- Enterprising Norfolk (following the Transformation Programme)
  - Increasing move towards shared services with external partners
  - Ongoing budget reductions.
- 2.6 The Information Commissioner has recommended that larger organisations should consider Data Protection as part of their internal audit planning and the internal audit plan continues our work on this risk area.
- 2.7 Other areas of note in the plan include School audits which are included as a separate line within the strategy (Appendix A) and have been allocated 125 days for each quarter of the year. We will continue to review the audit day’s requirement for schools audits.

- 2.8 Work for 8 days with respect to advice (promotion and prevention) on Anti Fraud and Corruption has been included in the strategy (Appendix A). Time has also been allowed in Appendix B1 to manage allegations that are received. Allegations are managed in two stages, a preliminary assessment and then, if required a formal investigation. Preliminary assessments may require significant work and can lead to an assessment report. Formal investigations will have terms of reference and a time budget.
- 2.9 Appendix B1 includes one line descriptions of each audit. The first step in each audit is to undertake a preliminary assessment of the topic, including analytical review, then to draft and agree Terms of Reference with the client. Notes on key audits have been set out in Appendix C for reference.

### **3. Balancing the Plan to the Resources available**

- 3.1 In line with organisational changes in the Council NAS has taken measures to reduce year on year the audit coverage we deliver on a risk assessed basis whilst maintaining sufficient coverage to meet the regulatory requirements. An essential part of these measures is the risk ranking of potential audit areas undertaken in consultation with clients to ensure our resources are directed at the higher risk areas. Internal Audit must ensure that resources are appropriate, sufficient and effectively deployed to achieve the approved plan. Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.
- 3.2 We continue to deliver efficiency savings within NAS and the team's audit focus is moving away from routine establishment audits to more strategic risk based audits.

### **4 Equalities Impact, Resource and Other Implications**

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

### **5 Section 17 – Crime and Disorder Act**

- 5.1 Under Section 17 of the Crime and Disorder Act, the Council has a statutory general duty to take account of the crime and disorder

implications of all its work, and do all that it reasonably can to prevent crime and disorder in Norfolk.

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

## **6 Risk Management**

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

## **7 Recommendation**

The Committee is asked to

- note that there has been no overall change to the 1,840 audit days (plus £25,000 contractor allowance) in the total strategy. As a result of some changes in planned audits for Quarters 1 and 2, there are 490 audit days proposed for quarter 3 (322 to support the audit opinion)
- note that the proposed audit plan meets the legislative requirement of the Accounts and Audit (England) Regulations (2011)
- confirm the allocation of days set out in Appendix A to meet the various elements of the strategy approved by the Audit Committee on 31<sup>st</sup> January 2013
- consider if it wishes to amend the schedule of audits, for 322 days, set out in Appendix B1 and to note the outline topics in Appendix B2 (for Quarter 4) to deliver the audit work to support the opinion and
- note that the internal audit plan for Quarter 3 of 2013-14 makes adequate provision for the risks arising from organisational change, the economic downturn and that resources are sufficient to accomplish the plan.

### **Officer Contact**

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

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



## Proposed Delivery of Internal Audit Strategy for Quarter 3 of 2013-14

Element of Strategy	Revised quarters 1 and 2 days	Proposed Audit days for quarter 3	Proposed Audit days for quarter 4	Total Proposed Audit Days
Reporting to the Audit Committee, quarterly and annually	20	10	10	40
Reporting to the Joint Committees (Norfolk Records Committee, Norfolk Joint Museums and Archaeology Committee) annually	3	0	0	3
Facilitation of the delivery of the Annual Governance Statements to the Audit Committee and the Joint Committees	5	0	0	5
Provision of assurance to the Head of Finance (Section 151 Officer) with respect to the systems of governance/internal control and risk management throughout the authority and the Joint Committees	5	0	5	10
Undertaking audit work to support the internal audit opinion ( <b>Appendix B1</b> )	448	<b>322</b>	382	1152
Provision of advice and assistance with respect to Internal Control to Chief Officers and other Senior Officers	25	12	13	50
Provision of advice and assistance with respect to Anti Fraud and Corruption particularly to the Head of Law	15	8	7	30
Provision of Internal Audit Service to Schools	250	125	125	500
Provision to undertake investigations	25	13	12	50
*Provision of an Internal Audit Service to Norfolk Pension Fund	33	30	30	93
*Provision of advice and assistance to the Eastern Sea Fisheries Joint Committee/EIFCA	0	0	10	10
*Undertaking Grant Certification work particularly with respect to EU grants (25 days non chargeable)	70	56	50	176
<b>Total</b>	<b>899</b>	<b>576</b>	<b>644</b>	<b>2119</b>
*Less Delivered to external Clients	103	86	90	279
<b>Total to be Delivered to NCC</b>	<b>796</b>	<b>490</b>	<b>554</b>	<b>1840</b> *

\*Plus £25,000 of contractor time prorata

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

<b>Service / Department</b>	<b>Proposed Essential Days Q3 2013-14</b>
<b>Information Management</b>	
Paper Information (Note 1)	15
Verbal Information (Note 2)	15
<b>Topic Total</b>	<b>30</b>
<b>Procurement</b>	
Supplier Appraisals (Note 3)	15
e- Tendering (Note 4)	15
<b>Topic Total</b>	<b>30</b>
<b>Contracts</b>	
Contract Audit (Note 5)	30
Contract Register (Inc Fire & Rescue Service) (Note 6)	15
<b>Topic Total</b>	<b>45</b>
<b>Corporate / Governance</b>	
Project Management/ Change Management/ Transformation Programme/ Enterprising Norfolk (Note 7)	17
Review of NAS compliance with Public Sector Internal Audit Standards (Note 8)	16
Client side monitoring (Note 9)	12
Public Health compliance with key financial controls (Note 10)	20
<b>Topic Total</b>	<b>65</b>
<b>Finance Shared Service:</b>	
Treasury Management (full review) (Note 11)	16
Recurring Payments system - migration of data (Note 12)	17
Payroll - Salary Overpayments (Note 13)	12
Advice on the development of finance tools to be posted on the new finance website (Note 14)	2
<b>Services Total</b>	<b>47</b>
<b>ETD</b>	
Recycling Centre Management Note 15)	20
<b>Service Total</b>	<b>20</b>
<b>Community Services</b>	
Follow-up audits (Note 16)	15
Customer care management service (Note 17)	15
<b>Service Total</b>	<b>30</b>
<b>Customer services and communications</b>	
Learning from complaints (Note 18)	15
<b>Service Total</b>	<b>15</b>
<b>Childrens' Services</b>	
SEN travel spend (Note 19)	15
Schools - dedicated schools grant (Note 20)	15
<b>ServiceTotal</b>	<b>30</b>
<b>ICT</b>	
Management of Audit Contractor time (Note 21)	5
<b>Service Total</b>	<b>5</b>
<b>Health and Safety</b>	
Building contractors (Non NPS managed CDM projects) Management of Audit Contractor time (Note 22)	5
<b>Service Total</b>	<b>5</b>
<b>Total proposed Audit Work to Support the Internal Audit</b>	<b>322</b>

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

Audit Work to Support the Audit Opinion

\* the original approved days shown in brackets

Service / Department	Outline audits for quarter 4 2013-14	Revised quarters 1 and 2 *	Quarter 3 (brought forward from Appendix B1)	Total for the year 2013-14
<b>Norfolk Fire and Rescue Service</b>				
Asset Management	15			
<b>Service Total</b>	<b>15</b>	13	0	28
<b>Information Management</b>				
Paper Information			15	
Verbal Information			15	
Information Management - Governance	15			
Information security	15			
<b>Service Total</b>	<b>30</b>	<b>17</b>	<b>30</b>	<b>77</b>
<b>Asset Management</b>				
Lease Premises Dilapidations	8			
Premises Management (Part 2) Facilities Management (Non	8			
<b>Topic Total</b>	<b>16</b>	35	0	51
<b>Procurement</b>				
Public Health	16			
Supplier Appraisals		0 (15)	15	
e-Tendering			15	
Procurement cards	15	11 (26)		
<b>Topic Total</b>	<b>31</b>	11 (26)	<b>30</b>	<b>72</b>
<b>Contracts</b>				
Contract Monitoring - Community Services	15			
Contract Monitoring Children's Services	15			
Contract Audit			30	
Contract Register (including Fire)			15	
<b>Topic Total</b>	<b>30</b>	19	<b>45</b>	<b>94</b>
<b>Corporate / Governance</b>				
Project Management/ Change Management/ Transformation Programme/ Enterprising Norfolk Audit	40	7 (22)	17	
Members expenses	2			
Review of NAS compliance with Public Sector Internal Audit Standards (Note 9)			16	
Client side monitoring			12	
Public Health			20	
<b>Topic Total</b>	<b>42</b>	7 (22)	<b>65</b>	<b>114</b>
<b>Finance Shared Service / Human Resources Shared Service</b>				
<b>Finance Shared Service:</b>				
Other	12			
Accounts payable (cyclical)	17			
Recurring payments through Carefirst (Annual)	15			
Treasury Management - Full review			16	
Care First migration (Community Services)	25			
Recurring payments system - migration of data			17	
Payroll bureau	12			

Payroll - salary overpayments			12	
Advice on the development of finance tools to be posted on the new finance website	3		2	
Social Fund	15			
<b>Human Resources Shared Service:</b>				
Fit for the Future - Post implementation review of the apprenticeship scheme	15			
<b>Service Total</b>	<b>114</b>	185	<b>47</b>	346
<b>ETD</b>				
Other	14			
Business Continuity Management and Emergency Planning, inclu	25			
Recycling Centre Management and Services / Welfare & drainage provision at recycling centres / Provision of recycling centres			20	
<b>Service Total</b>	<b>39</b>	30 (39)	<b>20</b>	89
<b>Community Services</b>				
Follow up audits			15	
Care arranging service	15			
Customer care management service			15	
Museums - Cash handling and income banking	15			
<b>Service Total</b>	<b>30</b>	42	<b>30</b>	102
<b>Customer services and communications</b>			15	
<b>Service Total</b>	<b>0</b>	0 (15)	<b>15</b>	15
<b>Childrens' Services</b>				
Formula Cluster Funding (Q3)				
Improvement arrangements for LAC	20			
SEN travel spend			15	
Schools - Dedicated schools grant			15	
<b>Service Total</b>	<b>20</b>	89 (69)	<b>30</b>	139
<b>ICT*</b>				
Details to follow	5			
Details to follow	5			
Details to follow			5	
<b>Service Total</b>	<b>10</b>	0 (5)	<b>5</b>	15
<b>Health and Safety*</b>				
Partnership and Commissioning	5		5	
<b>Service Total</b>	<b>5</b>	0 (5)	<b>5</b>	10
<b>Total proposed Audit Work to Support the Internal Audit Opinion</b>	<b>382</b>	<b>448 (492)</b>	<b>322</b>	<b>1152</b>

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

## Appendix C

### Notes on Audits in Quarter 3:

Reference	Comment
<b>1 &amp; 2</b>	The Paper Information Audit and the separate Verbal Information Audit complement the recent Electronic Information Audit. Information Management risks are being actively managed by the new Information Management Shared Service and this audit supports that work.
<b>3</b>	The Supplier Appraisals audit is part of the Procurement portfolio and will focus on the checks and assessment process for contractors and service suppliers used by the County Council.
<b>4</b>	The e-Tendering Audit will look at the procedures and controls in place for the recently introduced system.
<b>5</b>	The Contract Audit is planned to cover the building works and refurbishment of County Hall. It will include controls for the initial stages of the contract with additional audit work following over the life of the contract.
<b>6</b>	The Contract Register Audit (including Norfolk Fire and Rescue Service) will look at the new contracts register to ensure controls have been implemented and meet best practice.
<b>7</b>	The Change Management Audit will review controls in place within the Transformation Programme to support governance of the programme.
<b>8</b>	The Review of NAS Compliance audit – To ensure that NAS meets the new UK Public Sector Internal Audit Standards.
<b>9</b>	The Client Side Monitoring Audit – Reviewing controls in place within trading services to manage demand and ensure County Council needs are fully met.
<b>10</b>	The Public Health compliance with key financial controls audit - To ensure compliance by the new Public Health team with the key requirements as per the Financial Procedures and the Contract Standing Orders.
<b>11</b>	The Treasury Management (full review) audit will provide independent assurance of compliance with CIPFA standards, with the Annual Strategy as reported to full Council and with the Governance Framework as reported to the Chairman of the Audit Committee.
<b>12</b>	The Recurring Payments System audit – To look at controls in place over the migration of financial data from the Recurring Payment System over to other financial systems, with a view to transfer the processing of payments themselves onto these systems.
<b>13</b>	The Payroll salary overpayments audit – To review controls in place to minimise the occurrence of salary overpayments and maximise their prompt recovery.

<b>14</b>	The Finance Website advice time – To provide advice, support and input as and when needed for the development of the shared Finance website.
<b>15</b>	The Recycling Centre management audit will provide assurance on the systems, procedures and controls.
<b>16</b>	The Community Services follow up audit covers Adult Care Assessments
<b>17</b>	The customer care management service audit – assurance on case resolution targets and compliance with policies and procedures
<b>18</b>	The Learning From Complaints audit – To provide assurance of compliance with corporate policy in terms of learning from complaints.
<b>19</b>	The SEN Travel Spend audit – to provide assurance on the process and considerations for the locations of SEN placements
<b>20</b>	The Schools Dedicated Schools Grant audit – to provide assurance that mechanisms are in place to link and review poor financial control with poor performance
<b>21</b>	An ICT Audit from the ICT Audit Plan.
<b>22</b>	The Health and Safety Audit of Building Contractors (Non NPS Managed CDM Projects) covers

## **Anti-Fraud and Corruption Update**

### **Report by the Practice Director Norfolk Public Law (NPLaw)**

This report provides an update for the Committee on the Council's Anti-Fraud and Corruption Strategy and how it adds value.

The Audit Committee should consider:

- the work to date, that there has been adequate progress and there is a plan for future work
- the Strategy is consistent with best practice (including Fighting Fraud Locally) and that
  - it still meets both internal measures and external inspection requirements,
  - is effective and
  - adds value
- that the strategy has been considered in light of the economic downturn and is still considered to be adequate.

## **1 Introduction**

- 1.1 The Audit Committee approved the 2011-12 edition of the Anti-Fraud and Corruption Strategy in September 2011.
- 1.2 This report provides an update for the Committee on
  - the approach,
  - progress,
  - measures and
  - effectivenessof the strategy through the work on prevention, detection, investigation and sanctions and how it adds value. The report includes the proposed plan for future work (see 8 below),
- 1.3 This report covers the period January 2013 to May 2013. The last report was presented to the Committee in January 2013.

## **2 Background**

- 2.1 The Committee understands its role in relation to the risks of Fraud and Corruption. It critically challenges and reviews the approach and that the work adds value.

- 2.2 The Strategy sets out the arrangements, both general and those specific for the Council, Members, employees, contractors, suppliers and partners, the public and external organisations. NORSE has its own arrangements for anti-fraud and corruption, which is based on NCC's Strategy. Chief Officers are responsible for the prevention and detection of theft, fraud and corruption within the areas of their responsibility.
- 2.3 Elsewhere on this agenda the 2012-13 Internal Audit Annual Report, gives assurance on the adequacy and effectiveness of the anti-fraud and corruption corporate framework. The framework is the internal control and risk management that supports the anti-fraud and corruption culture.
- 2.4 The Council reported on fraud activity to the Audit Commission in May 2013 as part of the Commission's Annual Fraud Survey for 2012-13. There were two reported frauds during the year which were not considered significant.
- 2.5 The Local Government Fraud Strategy - Fighting Fraud Locally was published by the National Fraud Authority in April 2012. A checklist for that strategy was presented to the April meeting of this Committee and an action plan was agreed. The agreed actions are covered in this report. The latest newsletter can be found at:  
[http://www.local.gov.uk/c/document\\_library/get\\_file?uuid=ab870bce-eb31-4257-87d8-46b64b13a39c&groupId=10171](http://www.local.gov.uk/c/document_library/get_file?uuid=ab870bce-eb31-4257-87d8-46b64b13a39c&groupId=10171)
- 2.6 There have been no changes to the Council's Whistle-blowing or Money laundering policies.
- 2.7 From the 1 April 2013 the Council took over Public Health services. As part of the integration of the service the fraud and corruption risks will be assessed and if necessary appropriate controls will be put in place. Those services will be incorporated into the corporate risk assessments for Fraud and Corruption.

### 3 **Prevention**

- 3.1 The primary objective for prevention is high staff and member awareness of the risks, controls and consequences of fraudulent or corrupt acts measured through staff and member feedback.
- 3.2 Anti Fraud best practice is sought. A London Audit Group Counter Fraud Group Meeting and an Eastern Fraud Forum meeting were attended in Spring 2013.
- 3.3 We continue to use our Termly schools newsletter  
<http://www.norfolk.gov.uk/view/ncc120323> to promote Anti Fraud and Corruption messages and information to schools. Weaknesses that are



identified from either Preliminary assessments or formal investigations are fed back to departments or schools, so that lessons can be learned. The Audit Commission's Anti-Fraud Guidance to School Governors will be included in the Summer term 2013 newsletter.

- 3.4 The County Council has clear procedures for the checks that need to be performed on new members of staff including identity, right to work, references and qualifications.
- 3.5 The "Key Financial Controls" course continues to be offered by the Schools Finance Team designed in conjunction with NAS. This course is for operational finance staff and contains guidance on anti-fraud and corruption for schools. There has been one course held since January 2013 with a total of five participants. Further courses of these are planned for Autumn 2013. A 'Protecting Public Money' course is also offered to School Governors which contains guidance on the Anti-fraud Strategy and Whistleblowing Policy. Since January one of these courses has been held with 22 delegates. From April 2013 this course will be offered to Governors and Headteachers and two of these courses are scheduled before July 2013. There are no charges for these courses if the school has purchased a Finance Support Package for 2013-14.
- 3.6 The Strategic Risk, Insurance and Internal Audit teams continually assist Chief Officers to assess the risks from fraud and corruption. No specific additional fraud or corruption risks have been identified due to the impact of the recession and the economic climate in Norfolk. As part of the process to prevent and stop fraudulent claims, insurance claims are reviewed for potential fraud at key points during the claims handling process.
- 3.7 The application of the Code of Conduct, the Register of Interests and the Gifts and Hospitality Register has concluded that adequate controls have been in place in 2012-13 with regards to managing the risk of conflicts of interests. New declarations were obtained in July 2012 from all Members, in line with the requirement introduced by the Localism Act 2011. Most declarations related to other public mandates, investment properties or current employment with no obvious links to the activities of NCC. The most significant declaration of interest were in respect of being providers of services to community services, with regards to caring for vulnerable adults and connections with the NORSE Group (one non executive director and an occasional supplier). The review of the Gift and Hospitality register for both Members and Officers identified a reasonably low level of hospitality and gifts being received and did not highlight any unreasonable receipts.
- 3.8 Our planned audit work, the Anti-Fraud and Corruption Strategy and audit resources are considered appropriate. The success of promotion was confirmed through a survey of managers last summer. A staff

survey will be carried out in September 2013 and the application of an 'Internal Fraud Awareness campaign toolkit will be considered during June 2013. Information for Members about this strategy will be posted on Members Insight in July 2013. The effectiveness of prevention is difficult to measure since detected cases of fraud are thankfully rare and there can be a long lead time before the effects may be considered.

- 3.9 Where we can publish information on successful disciplinary, prosecutions or recovery of losses and lessons learned we will do so as widely as possible.
- 3.10 Benchmarking confirms that our prevention procedures are sound and actions are in place to meet best practice standards, see 8.2 below.

## **4 Detection**

- 4.1 Norfolk Audit Services' primary objective is for the delivery of the Internal Audit plan as agreed by the Audit Committee. Some of the audits included in the plan will specifically include reviewing controls with respect to anti-fraud and corruption and as such may help to detect fraud or corruption.
- 4.2 The promotion of the responsibilities of Chief Officer's and their managers in relation to detecting fraud and corruption is a key part of the prevention strategy explained above and is clearly stated in internal audit reporting.
- 4.3 The main and most effective means of detecting fraud or corruption is through the Council's own governance, internal control and risk management arrangements. Where Chief Officers have put in place adequate arrangements and these are followed in a diligent, timely way by local managers any error, accidental or deliberate, should be promptly discovered to allow appropriate investigation and correction. Budgetary control, reconciliations, internal check and 'hands on' supervision and checks are the best means to support teams by discouraging and detecting wrongdoing. Management checks do uncover a small number of cases, which are investigated.
- 4.4 The Audit Commission runs the National Fraud Initiative exercise (NFI) to help detect fraud, overpayments and errors. This data matching exercise is performed every two years. Data for the current NFI exercise (2012/13) was extracted on 8 October 2012 and has been supplied to the Audit Commission. Data was supplied in respect of payroll, pensions, creditors, private residential homes, insurance, Blue Badges and, for the first time by NCC, concessionary travel. The results of the data matching were available at the end of January 2013. We will ensure the NFI data matches are followed up effectively, and will report to future meetings of the committee progress and outcomes.

- 4.5 The Council has been successfully working in partnership with the City Council to follow up Council Tax Single Person Discount (SPD) queries, particularly those raised via NFI matching. Where it is detected that the SPD criteria are not met, then the discount is cancelled in a timely way. The County shares the savings with the City.
- 4.6 Internal Audit work does identify and specifically report control weaknesses in processes or systems that may increase the risk of fraud or corruption, however it provides only a very limited level of detection as sample sizes are generally small. Our Internal Audit planning is informed by best practice including the Fighting Fraud Locally Strategy.
- 4.7 If exceptions are detected, the Council has effective lines of reporting to ensure that timely and proportionate investigations can take place and losses recovered. Detection controls are part of normal good governance, leadership and management arrangements and the strategy complements and adds value to that activity.
- 4.8 Many frauds or corrupt acts are identified through whistle blowing and our procedures in this area are sound and meet best practice. This has been confirmed through the benchmarking exercise.
- 4.9 Benchmarking also suggests that we have less fraudulent or corrupt acts detected as might be expected from an authority of our size and spend profile. The benchmarking will be considered for any potential correlation of the proportion of incidents to the relative level of audit resources.

## **5 Investigation**

- 5.1 The Council's primary objective is professional investigation of identified frauds measured and confirmed through internal and independent review.
- 5.2 The Council approaches investigations in a proportionate and professional way in consultation with the Police where appropriate. Norfolk Audit Services has an 'Allegation Response Plan' which
- complements the Council's Whistle blowing Policy,
  - complements the Compliments and Complaints Policy,
  - provides guidance for managing allegations, including anonymous or wishing to remain anonymous and
  - allegations that may be considered vexatious.
- 5.3 When allegations are made Norfolk Audit Services undertake a preliminary assessment of the situation to assess if an investigation is required. Two frauds took place during the year, one was prosecuted by the police leading to a suspended sentence, the other a written

warning. Allegations are primarily from Whistleblowers, mainly anonymous or those who wish to remain anonymous. There were no new allegations for the quarter ended 31<sup>st</sup> March 2013.

- 5.4 Where requested by Chief Officers the team may use their experience and skills to support relevant adhoc disciplinary investigations or corporate complaints with a significant financial element, fulfilling an 'Investigating Officer' role. Lessons learned help inform the Council's audit needs assessment planning.
- 5.5 Preliminary assessments and investigations are managed by staff that are suitably trained or supervised. Investigations are subject to internal review by the Chief Internal Auditor who holds the CIPFA Certificate in Investigatory Practice.
- 5.6 Investigations have led to successful and effective disciplinary action or criminal prosecutions and are therefore considered to be effective and add value. Investigations commenced in 2012 will have an estimate of time to be spent and the time taken, potential results and actual results will be reported in future updates to this committee.
- 5.7 The Benchmarking exercise showed NCC with a very low number of investigations compared to other comparators.

## **6 Sanctions**

- 6.1 The Council's primary objective is to seek the strongest possible and most appropriate sanction against any individual or organisation that defraud or seek to defraud the Council. This is complemented by rigorous loss recovery where it is possible and economic.
- 6.2 We have referred cases to the Police where appropriate and successful prosecutions have taken place in the past. Disciplinary sanctions are completed, even where an employee resigns. The Council seeks to recover losses by any means available; these include
  - court orders,
  - insurance cover,
  - voluntary repayments,
  - payroll deduction,
  - debtor invoice,
  - Proceeds of Crime Act (POCA) and
  - recovery from pension fund.

Recovery may be sought by more than one of these means.

- 6.3 Sanctions have been reported in the local media and act as a deterrent to those who might consider committing fraudulent or corrupt acts.
- 6.4 Benchmarking suggests that our processes for applying sanctions where fraud or corruption is detected are robust when compared to other comparators.

## **7 Benchmarking**

- 7.1 We have promoted the benefits of Anti Fraud benchmarking to other Council's during the year which will hopefully increase participation and the quantity of comparators.

## **8 The Plan**

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

### **8.2 Prevention Actions**

- An Anti-Fraud Finance Briefing on 'Red Flags and Rolled up Sleeves' by the Chief Internal Auditor is planned for June 2013
- Continue to seek to improve our use of data, information and intelligence to further focus our counter-fraud work, in partnership other teams within NCC, including the Strategic Risk team (ongoing),
- An audit is included in the 2013-14 Internal Audit Plan to review personal budget arrangements to ensure that safeguarding and whistleblowing arrangements are proportionate to the fraud risk, including strengthening links between the safeguarding team and Internal Audit
- Audits of the 'Top 100 value' for overtime, expenses claims and Schools Procurement Cards to be completed in 2013
- An audit based on the NFA's 'Procurement Fraud in the Public Sector (October 2011) guidance is planned for later this year
- Unannounced 'Spot' visits will be included in the audit planning
- continue to follow good practice and match the successes of others via networks and technical updates, especially the Fighting Fraud Locally publication (see 8.6 below). The Eastern Fraud Forum annual meeting was attended and a London Audit Group Anti-Fraud Meeting was attended
- investigate promotion of the strategy via the 'Internal Fraud Awareness campaign toolkit (NFA) and to partner organizations and suppliers via the Council's Internet, I-Procurement and email, (ongoing)

- investigate encouraging the introduction of Anti-Fraud and Corruption champions within departments (ongoing),
- complete an Anti-Fraud and Corruption survey of a random sample of employees in September 2013,
- complete a member survey of anti fraud and corruption arrangements during 2014,
- participate in the 2013 CIPFA benchmarking exercise to measure progress achieved during the year, The Anti Fraud benchmarking will be considered for any potential correlation of the proportion of incidents to the relative level of audit resources (see 4.9 above)
- complete a review of the internal audit web page's anti-fraud and corruption content, particularly to promote the successes of the strategy to raise awareness of the value it adds to the organisation, highlight specific aspects of the strategy and provide examples on the Internal Audit website of how the strategy affects behaviour at work (see 3.6 above) during July 2013; and
- continue to work with the wholly owned companies, including Norsecare Ltd, to maintain consistent prevention measures.

### 8.3 Detection Actions

Resolution, with other departments of NCC of "matches" from the 2012-13 NFI exercise (see 4 above)

### 8.4 Investigations Actions

Investigate the options for an independent review of our investigation methodology and our reports, by end of July 2013. Review the Allegation Response plan by end of July 2013.

### 8.5 Sanctions Actions

Continue to progress, and where possible, complete loss recovery plans (ongoing).

### 8.6 Fighting Fraud Locally Actions

Review our counter fraud arrangements in the context of the National Fraud Authority's (NFA's) strategy for Local Government, Fighting Fraud Locally, which was published in April 2012, and formulate a response to present to the Audit Committee.

## 9 Impact of the Audit Committee's work and Adding Value

- 9.1 The Audit Committee plays a central role in providing good governance and ensuring that the Anti-Fraud and Corruption Strategy is effectively implemented. Our external auditors receive copies of final reports

including investigations. Any frauds over £10,000 are required to be reported to the Audit Commission and are.

- 9.2 The Committee agreed the Annual Internal Audit Plan for 2013-14 in April 2013 which includes Anti-Fraud and Corruption measures. The Committee have asked for the Unannounced 'Spot' visits to be more explicitly considered as part of internal audit planning.
- 9.3 The strategy adds value by
- supporting the Council's reputation for good governance, internal control and value for money,
  - reducing the potential cost, burden and operational disruption when frauds or corruption are avoided and so do not need to be investigated, and
  - Keeping insurance premiums lower.

It is felt that the strategy remains consistent with Fighting Fraud Locally, best practice and that it still meets both internal measures and external inspection. It will however be formally reviewed prior to the September 2013 meeting of the Committee.

- 9.4 Chief Officers and the Council's Audit Committee have responsibility for reviewing the Anti-Fraud and Corruption arrangements. The Audit Committee oversees Chief Officer's arrangements for identifying and responding to the risks of fraud and the establishment of internal control. After consideration of the risks from the economic downturn, the Anti-Fraud and Corruption planning and resources are considered sufficient. It is proposed that Members receive training on the Anti-Fraud and Corruption Strategy.
- 9.5 Awareness and understanding of the Anti-Fraud and Corruption Strategy and associated documents by members, staff and those we do business with is being positively promoted.

## **10 Equalities Impact, Resource and Other Implications**

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

## **11 Section 17 - Crime and Disorder Act**

- 11.1 Under section 17 of the Crime and Disorder Act the Council has a statutory general duty to take into account the crime and disorder implications of all of its work, and to do all that it reasonably can to prevent crime and disorder in Norfolk.

- 11.2 The Anti-Fraud and Corruption strategy is directly aimed at fulfilling this statutory duty and this report sets out the current position and future plans with respect to this work.

## **12 Risk Management**

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

## **13 Conclusions**

- 13.1 This report has summarised the Anti Fraud and Corruption work of the Committee and officers between January 2013 and May 2013, confirmed that the approach is consistent with Fighting Fraud Locally , best practice, that it meets both internal measures and external inspection requirements and has demonstrated the effectiveness and value of the strategy.
- 13.2 The Committee continues to develop its role and impact on Anti-Fraud and Corruption governance through ongoing member training and the development of the Committee's work programme.
- 13.3 All elements of the ongoing plan are set out in paragraph 8.2 of this report. Anti Fraud and Corruption resources have been considered. Resources have been allocated to the plan from within the existing audit team and are considered to be adequate (9.2).
- 13.4 There is an Annual report to this Committee (or equivalent) detailing an assessment against the Local Government Strategy – Fighting Fraud Locally and the checklist provided (2.5)
- 13.5 The risk of fraud and corruption is specifically considered in the Council's overall risk management process (12.1)
- 13.6 The Council has put in place controls to detect fraud and corruption and this is reported to the Committee (part 3 and 4 above).
- 13.7 The Council has put in place arrangements for Codes of Conduct, Register of Interests and a Gifts and Hospitality Register. Members and staff are aware of the disclosures that need to be made. (3.7)
- 13.8 Suitable vetting arrangements are in place (3.4)
- 13.9 Weaknesses revealed by fraud are looked at and fed back to Departments to fraud proof systems (3.3)



## 14 Recommendations

### 14.1 The Audit Committee should consider

- the work to date and that there has been adequate progress,
- that the strategy has been considered in light of the economic downturn and is still considered to be adequate,
- the Strategy is consistent with Fighting Fraud Locally, best practice and that
  - it still meets both internal measures and external inspection requirements,
  - is effective and
  - adds value (see section 9.3) and
- the plan for future work as set out in section 8.
- The Council's Whistle-blowing and Money Laundering Policies are adequate and effective

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

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## **Work Programme**

Report by Head of Finance

The Committee should consider the programme set out below.

<b>September 2013</b>	
NAS Quarterly report Quarter ended 30 June 2013	Head of Finance
Risk Management Report	Head of Finance
Annual Governance Statement and the Review of the Effectiveness of the Governance Framework, including the System of Internal Control 2012-13	Head of Finance
Statement of Accounts 2012-13 Approval	Head of Finance
Letter of Representation for Statement of Accounts 2012-13, Annual Governance Report and Draft Annual Audit Letter	Head of Finance/External auditors
Internal Audit Plan for Quarter Four 2013-14	Head of Finance
Audit Committee Work Programme	Chairman
<b>January 2014</b>	
NAS Quarterly Report Quarter ended 30 September 2013	Head of Finance
Risk Management Report	Head of Finance
A Half yearly update of the Audit Committee	Chairman
Audit Committee Terms of Reference	Chairman

Norfolk Audit Services: Review of Internal Audit Terms of Reference, Code of Ethics and Strategy	Head of Finance
Internal Audit Planning Approach 2014-15 (including Quarter 1 Internal Audit Plan)	Head of Finance
Anti-Fraud and Corruption Update	Head of Finance
External Audit Update Report and Fee Letter	Head of Finance/External Audit
Audit Commission – Consultation on 2014-15 work programme and scale of fees and Certification of Claims and Returns – Annual Report 2012-13	Head of Finance/External Audit
Audit Committee Work Programme	Chairman
<b>April 2014</b>	
NAS Quarterly Report Quarter ended 31 December 2013	Head of Finance
Risk Management Report	Head of Finance
External Audit - Audit Plan	Head of Finance/External Audit
Internal Audit Plan - Quarter 2	Head of Finance
Financial Regulations	Head of Finance
Audit Committee Work Programme	Chairman

#### **Officer Contact:**

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

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