



Audit committee

Date: Tuesday, 17 March 2015

Time: 16:30

Venue: Mancroft room, City Hall, St Peters Street, Norwich, NR2 1NH

Committee members:

Councillors:

Neale (chair)
Wright (vice chair)
Boswell
Bremner
Harris
Kendrick
Little
Waters

For further information please contact:

Committee officer: Jackie Rodger
t: (01603) 212033
e: jackierodger@norwich.gov.uk

Democratic services
City Hall
Norwich
NR2 1NH

www.norwich.gov.uk

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Agenda

		Page no
1	Apologies To receive apologies for absence	
2	Public questions/petitions To receive questions / petitions from the public (notice to be given to committee officer in advance of the meeting in accordance with appendix 1 of the council's constitution)	
3	Declaration of interest (Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting)	
4	Minutes To agree the accuracy of the minutes of the meeting held on 20 January 2015.	5 - 8
5	Audit Plan 2014-15 Purpose - This report presents the annual audit plan 2014-15.	9 - 32
6	Internal audit and fraud team 2014-15 – January to February update Purpose - To advise members of the work of internal audit between January and February 2015 and progress against the 2014-15 internal audit plan, together with the work of the fraud team between April 2014 and February 2015.	33 - 40
7	Draft internal audit plan for Norwich City Council 2015-16 Purpose - This report provides the audit committee with an outline of the 2015-16 internal audit plan for Norwich City Council as attached at appendix 1.	41 - 46
8	Review of corporate risk register Purpose - To update members on the review by the corporate leadership team of key risks facing the council, and the associated mitigating actions as noted in the	47 - 62

corporate risk register.

Date of publication: **Monday, 09 March 2015**



Audit committee

16:30 to 17:50

20 January 2015

Present: Councillors Neale (chair), Wright (vice chair), Boswell, Bremner (from item 4, below, because of other council business), Harris, Kendrick, Little and Waters

Apologies: Councillor Bremner (for items 1 to 3, below, because of other council business)

1. Declarations of interest

There were no declarations of interest.

2. Minutes

RESOLVED to agree the accuracy of the minutes of the meeting held on 18 November 2014, subject to the following amendment under item 2, Minutes, deleting "18 November 2014" and replacing "23 September 2014" so that the resolution is as follows:

"RESOLVED to agree the accuracy of the minutes of the meeting held on 23 September 2014, subject to item 4, Audit results report, the final sentence of the last paragraph, deleting "would be available by January 2015." "

3. Certification of claims and returns annual report 2013-14

(The external audit director (EY) attended the meeting for this item.)

The chief finance officer introduced the report.

The external auditor presented the appended report and referred to the new arrangements for certifying claims and returns following the closure of the Audit Commission. The external auditors expected to certify the housing benefit subsidy form the Department of the Work and Pensions (DWP) next year (2014-15) and that this was likely to continue until Universal Credit replaced housing benefit.

During discussion the external auditor answered members' questions. A member asked whether the cost of the certification work was justified when the level of errors was low. He explained that the value of the amendment to the housing benefit claim was £124 and pointed out that the extrapolated errors had not been amended as set out in external auditors' letter. The committee was advised that the level of errors

was less than in previous years and more in line with other councils. The chief finance officer said that the DWP was reviewing the error threshold.

In reply to a members' question the external auditor explained that the indicative certification fees were based on the actual certification fees for 2012-13 and adjusted for any schemes that no longer required certification.

RESOLVED to note the Certification of claims and returns annual report 2013-14.

4. Internal audit and fraud team 2014-15 – November to December update

The internal audit manager (LGSS) explained that the head of internal audit and risk management (LGSS) had sent apologies because he was unable to attend because of another work commitment.

The internal audit manager presented the report.

The chair referred to the audit assurance work and expressed concern that fees for street trading consent had not been reviewed. The internal audit manager explained that fees and charges were considered, under officer delegated powers, as part of the budget setting process each year and were not reported to members as such. There was no evidence to explain why the street trading consent fees had not been reviewed. The committee would receive an update on the progress of the implementation of the recommendations from the audit at its next meeting.

The internal audit manager explained the proposed changes to the audit plan as set out in table 1 of the report. It was proposed to amend the plan so that where a previous audit of fundamental systems had been given full or substantial assurance the work of internal audit could be reduced to include a follow up of the previous recommendations; an analytical review of figures; and a walk through of key controls. Members were advised that the replacement of the financial systems would not take place in the current financial year and so the audit would be deferred to 2015-16. The claims certification work had not been included on the table but should be deleted from the audit plan. As discussed under the previous agenda item, the work of external audit had been reduced in this area and therefore there was no work for internal audit to do. The executive head of business relationship management and democracy, the head of internal audit and risk management and the chief finance officer considered that income generation and joint ventures should be included on the audit plan. Members were advised that joint ventures included shared services such as LGSS, nplaw and NPS, and that the internal audit manager would ask whether it was intended to include Norwich Norse. All heads of service had received training on commercial awareness and the internal auditors had asked to see the content of that training. The generation of income helped the council self-finance and also its shared services. Councillor Waters, cabinet member for resources, said that he strongly endorsed the internal auditors' approach to the audit plan.

In response to a member's request for clarification on the reconciliation of land and property searches, the internal audit manager explained that income did follow through to the general ledger but that the figures had not been reconciled and that it was recommended that this should be done on a quarterly or monthly basis.

During discussion a member suggested that contract management, which had been audited a few years ago, should be looked at again. The internal audit manager said that this would be part of the current audit of shared services and further information on the scope of the review would be available at the next meeting. Information regarding the previous review of contract management would also be made available.

In reply to a question, the internal audit manager advised the committee that software licences relating to the HR Workforce system was not an issue. The latest position on the licences for the Oracle financial system would be reported to the next meeting. Members noted that the response to a member's question at council on 24 November 2014 clarified the overall situation regarding software licences. There was no need to include it on the audit plan because this was part of the work conducted for the council by its ICT contractors (LGSS) on a regular basis.

Discussion ensued on whether the Norwich Highways Agency should be included in the council's audit plan because of concern that it was a county council function but it involved city council employees and could be missed. Members were advised that the city council's audit team had previously audited on and off street parking and verified the amount of on street funding to the county council. The audit was in the remit of the county council. The Highways Agency was not an "agency" as such and the council collected on street parking fees and paid it over to the council and recharged the county council for staffing costs for highways services. Members considered that clarification on the audit arrangements for this service was particularly important given the large amounts of funding for the Push the Pedalways schemes.

The fraud team leader (LGSS) referred to the report and updated the committee on the arrangements for the transfer of benefit fraud work to the DWP from 1 April 2015. Members were also advised that LGSS was creating two new fraud officer posts to cover fraud investigative support across LGSS following the transfer. There would be a service level agreement between the council and the DWP for benefit fraud work.

The committee considered the Audit Commission's "Protecting the public purse – fraud briefing 2014" and were advised that there was some differentiation between how councils defined fraud. The fraud team focused on "real" frauds on behalf of the council and small cases were referred to other officers. A member suggested that the committee should consider what would replace the Audit Commission's report as it highlighted areas for the committee to consider and would be missed.

RESOLVED to:

- (1) note:
 - (a) the work of internal audit between November and December 2014;
 - (b) the progress on the 2014-15 internal audit plan and approve the amendments as set out in table 1 and minuted above;
 - (c) the work of the fraud team between April and December 2014;

- (d) the latest counter fraud developments;
- (e) the Audit Commission's fraud briefing 2014;
- (2) ask the head of internal audit and risk management to report back to the committee with further details on the following:
 - (a) the scope of the review of joint ventures and details of the contracts which will be included;
 - (b) the previous audit of contract management;
 - (c) the audit arrangements for the Norwich Highways Agency
 - (d) the new arrangements for managing non-benefit fraud following the transfer of benefit fraud staff to the DWP.

5. Local government audit committee briefing

The committee commented on the external auditors' briefing note for November 2014.

In reply to a question the chief finance officer said that the the council would need to continue its journey of continual improvement to meet the government's proposed timetable for the approval and publication of accounts to 31 May and 31 July by 2017-18.

RESOLVED to receive the external auditors' briefing note for November 2014.

CHAIR

Report

Background

1. This report sets out the external auditors' proposed approach to their work for the 2014-15 financial year, for discussion and agreement with the audit committee.

Key points to note

2. The audit committee is asked to review, consider and discuss the following significant matters covered in the report:
 - (a) The auditors' assessment of the key strategic, operation and financial risks to the council's financial statements for 2014-15 (section 3 of the audit plan);
 - (b) The proposed audit process and strategy as set out in Section 5 of the audit plan. In particular, this section confirms that as a result of their review of key processes they will seek to rely on controls assurance for payroll, with other areas being subject to substantive testing (paragraph 5.2); and,
 - (c) Timetable and key deliverables including reporting requirements relating to the statutory accounts, the Whole of Government Accounts (WGA) return and the achievement of value for money (paragraph 5.6).

Norwich City Council

Year ending 31 March 2015

Audit Plan

5 March 2015



Building a better
working world

Audit Committee
Norwich City Council
City Hall
St. Peter's Street
Norwich
NR2 1NH

5 March 2015

Dear Committee Members

2014-15 Audit Plan

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 2014/15 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 plan summarises our assessment of the key risks which drive the development of an effective audit for Norwich City Council, and outlines our planned audit strategy in response to those risks.

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

Yours faithfully

Rob Murray
For and on behalf of Ernst & Young LLP
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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' ('Statement of responsibilities'). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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

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 Council's financial statements give a true and fair view of its financial position as at 31 March 2015 and of the income and expenditure for the year then ended; and
- ▶ a statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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

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

- ▶ strategic, operational and financial risks relevant to the financial statements;
- ▶ developments in financial reporting and auditing standards;
- ▶ the quality of systems and processes;
- ▶ changes in the business and regulatory environment; and
- ▶ management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council. Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

In parts three and four of this plan we provide more detail on the above areas and we outline our plans to address them. Our proposed audit process and strategy are summarised below and set out in more detail in section five.

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 2015.

Our process and strategy

Financial statement audit

We consider materiality in terms of the possible impact of an error or omission on the financial statements and set an overall planning materiality level. We then set a tolerable error to reduce the probability that the aggregate of uncorrected and undetected misstatements exceeds planning materiality to an appropriately low level. We also assess each disclosure and consider qualitative issues affecting materiality as well as quantitative issues.

Arrangements for securing economy, efficiency and effectiveness

Our approach to the value for money (VFM) conclusion for Norwich City Council for 2014/15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place within the Council for:

- ▶ securing financial resilience

- challenging how the Council secures economy, efficiency and effectiveness.

We adopt an integrated audit approach, so our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

Further detail is included in section 4 of this Audit Plan.

2. The Local Audit and Accountability Act 2014

The Local Audit and Accountability Act 2014 (the 2014 Act) closes the Audit Commission and repeals the Audit Commission Act 1998.

The 2014 Act requires the Comptroller and Auditor General to prepare a Code of Audit Practice. This must be laid before Parliament and approved before 1 April 2015.

Although this new Code will apply from 1 April 2015, transitional provisions within the 2014 Act provide for the Audit Commission's 2010 Code to continue to apply to audit work in respect of the 2014/15 financial year. This plan is therefore prepared on the basis of the continued application of the 2010 Code of Audit Practice throughout the 2014/15 audit.

3. Financial statement risks

We outline below our assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Property, plant and equipment (fixed assets)	
<p>We have commented in previous years on weaknesses in the spreadsheets used as a fixed asset register. The register is difficult to use and does not produce quality management information. This has contributed to errors and increased audit testing in previous years.</p> <p>Due to the complexity in accounting for property, plant and equipment and the material values involved, these weaknesses increase the risk that asset valuations and capital expenditure contain material misstatements.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none">▶ reliance on management's valuations experts. This will include comparison to industry valuation trends and reliance on our own valuation experts where significant unexplained variations are identified, and▶ testing the accounting treatment of valuations made in the year, including the assessment and treatment of impairments.
Risk of management override	
<p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p> <p>One area which may be susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none">▶ testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements▶ reviewing accounting estimates for evidence of management bias▶ evaluating the business rationale for significant unusual transactions, and▶ test the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure.

Other financial statement risks

Assessment of the group boundary

The Council uses large contracts and partnerships in the delivery of services. There are new accounting requirements when assessing the nature of these arrangements to determine the group boundary.

This will involve deciding whether they create functional bodies and other group entities which now fall within the group boundary and therefore require consolidating into the Council's financial statements

We will:

- ▶ review the Council's group boundary assessment
- ▶ assess where overall control lies with regard to the operation and delivery of services of the potential group entities
- ▶ review the assessment of materiality, and
- ▶ ensure appropriate consolidation procedures are applied to those entities that require consolidating into the Council's financial statements.

Business Rates

Councils need to provide for rating appeals and will need to consider the following when estimating the provision:

- ▶ Assessing appeals made to the Valuation Office. Councils may not be aware of the level or extent of claims and may also find it difficult to obtain sufficient information to establish a reliable estimate for the appeal provision
- ▶ Estimating future appeals where there is a higher likelihood of occurrence. This will need to take account of the recently announced limitation on backdating which may prompt an increase in appeals.
- ▶ Making assumptions about how far appeals may be backdated.

We will:

- ▶ review the detailed accounting for business rates to ensure the Council's accounts are materially accurate and compliant with the CIPFA Code of practice, and
- ▶ review the Council's provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37. As part of this we will ensure the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed in the accounts.

Respective responsibilities in relation to fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has 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 fraud risks during the planning stages;
- ▶ enquiry of management about risks of fraud and the controls to address those risks;
- ▶ understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determining an appropriate strategy to address any identified risks of fraud; and

- ▶ performing mandatory procedures regardless of specifically identified fraud risks.

We will consider the results of the National Fraud Initiative and may refer to it in our reporting to you.

4. Economy, efficiency and effectiveness

Our approach to the value for money (VFM) conclusion for Norwich City Council for 2014/15 is based on criteria specified by the Audit Commission relating to whether there are proper arrangements in place at the Council for securing:

1. financial resilience, and
2. economy, efficiency and effectiveness in the use of resources.

The Audit Commission VFM guidance for 2014/15 requires that auditors consider and assess the significant risks of giving a wrong conclusion and carry out as much work as is appropriate to enable them to give a safe conclusion on arrangements to secure VFM.

Our assessment of what is a significant risk is a matter of professional judgement, and is based on consideration of both quantitative and qualitative aspects of the subject matter in question.

For those significant risks identified by our risk assessment that are relevant to our VFM conclusion, where these risks will not be addressed by our financial statements audit work or work undertaken by the Council, Audit Commission or other review agency, we consider the need to undertake local VFM work.

The table below provides a high-level summary of our risk assessment and our proposed response to those risks.

Risks	Impacts arrangements for securing:	Our audit approach
Local Government Finance Settlement		
<p>Along with many other Councils, Norwich is facing significant financial challenges in the future. The Council's external funding sources are reducing and are likely to be subject to change and uncertainty.</p> <p>Medium term financial planning reflects these challenges and shows the need to make further net savings of £11.6m over the next 5 years.</p> <p>The Council are taking action to address longer term financial resilience issues to allow the Council to maintain reserve levels.</p>	<p>Economy, efficiency and effectiveness</p> <p>Financial resilience</p>	<p>Whilst we have not identified any significant risks, to obtain an appropriate level of understanding on the Council's arrangements, our approach will focus on the following areas when completing our value for money work:</p> <ul style="list-style-type: none"> ▶ review of the medium term financial strategy and effectiveness of the transformation programme; and ▶ delivery of savings.

We will keep our risk assessment under review throughout our audit and communicate to the Audit Committee any revisions to the specific risks identified here and any additional local risk-based work we may need to undertake as a result.

5. Our audit process and strategy

5.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code') our principal objectives are to review and report on, the Council's:

- ▶ financial statements
 - ▶ arrangements for securing economy, efficiency and effectiveness in its use of resources
- to the extent required by the relevant legislation and the requirements of the Code.

We issue a two-part audit report covering both of these objectives.

i) Financial statement audit

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

We will also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, we will rely as far as possible on the reported results of the work of other statutory inspectorates on corporate or service performance.

In examining the Council's corporate performance management and financial management arrangements, we consider the following criteria and areas of focus specified by the Audit Commission:

- ▶ arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- ▶ arrangements for securing economy, efficiency and effectiveness - whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

5.2 Audit process overview

We will obtain an understanding of the Council's system of internal control. We assess the adequacy of specific controls that respond to significant risks of material misstatement. Where we intend to place reliance on particular controls for the purposes of our audit, we will carry out procedures to test the operating effectiveness of those controls. and use the results of those procedures to determine the nature, timing and extent of further audit procedures to be performed.

Our initial assessment of the key processes across the Council has identified payroll as a key process where we will seek to test key controls.

We plan to test other transactions and balances substantively at year end.

Analytics

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

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

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

Internal audit

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

Use of experts

We will use specialist EY resource as necessary to help us to form a view on judgments made in the financial statements. Our plan currently includes involving specialists in pensions and valuations.

Mandatory procedures required by auditing standards

As well as the financial statement risks outlined in section three, we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ addressing the risk of fraud and error;
- ▶ significant disclosures included in the financial statements;
- ▶ entity-wide controls;
- ▶ reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ auditor independence.

Procedures required by the Code

- ▶ reviewing, and reporting on as appropriate, other information published with the financial statements, including the Governance Statement
- ▶ reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO
- ▶ reviewing and examining, where appropriate, evidence relevant to the Council's corporate performance management and financial management arrangements, and its reporting on these arrangements.

5.3 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition. We have determined that overall materiality for the financial statements of the Council is £2,588,370 based on 1.5% of gross expenditure on provision of services.

We will communicate uncorrected audit misstatements greater than £129,418 to you.

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

5.4 Fees

The Audit Commission has published a scale fee for all authorities. This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of Norwich City Council is £106,552. Further information is provided in Appendix A.

5.5 Your audit team

The engagement team is led by Rob Murray, who has significant experience of Norwich City Council. Rob is supported by David Riglar who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the finance team.

To meet regulatory requirements and ensure a smooth rotation plan for future years, Rob will rotate off Norwich City Council in the current year. To aid a smooth transition and handover, Mark Hodgson will start working with the Council from September 2015, to gain an exposure to the business and key management.

5.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the VFM work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2015. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	April 2014	July 2014	Audit Fee letter
Risk assessment and setting of scopes	January to February 2015	March 2015	Audit Plan
Testing routine processes and controls	March 2015	July 2015	Verbal progress report
Year-end audit	July to September 2015		
Completion of audit	September 2015	September 2015	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements and overall value for money conclusion). Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October 2015	November 2015	Annual Audit Letter

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

6. Independence

6.1 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 on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ 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; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ 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 ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, 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 contracted services, and details of any written proposal to provide non-audit services;

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

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

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 the Council.

At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services, and we will comply with the policies that the Council has approved and that are in compliance with the Audit Commission's Standing Guidance.

At the time of writing, we have not agreed any non-audit services.

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 the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4.

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

Self-review threats

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

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

Management threats

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

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

Other threats

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

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

The 2014-15 audit year is the seventh year that Rob Murray has led the audit of Norwich City Council. We assessed this relationship prior to the commencement of the audit period and concluded that there are no considerations that compromise, or could be perceived to compromise, Rob's independence or objectivity. The Audit Commission has approved this continued appointment.

Overall Assessment

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

6.3 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended 27 June 2014 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2014>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2014/15	Out-turn 2013/14	Explanation
	£	£	
Total Audit Fee – Code work			
Opinion Audit and VFM	106,552	117,682	An additional fee of £12,030 for code work was charged in 2013/14 due to correspondence received from a member of the public which we considered as part of our audit procedures.
Conclusion			
Certification of claims and returns	38,310	50,395	Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission. The reduction is due to schemes no longer requiring certification.
<i>All fees exclude VAT.</i>			

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

- ▶ officers meeting the agreed timetable of deliverables;
- ▶ we can rely on the work of internal audit as planned;
- ▶ the Audit Commission making no significant changes to the use of resources criteria on which our conclusion will be based;
- ▶ our accounts opinion and use of resources conclusion being unqualified;
- ▶ appropriate quality of documentation is provided by the Council; and
- ▶ the Council has an effective control environment.

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

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

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	▶ Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ significant difficulties, if any, encountered during the audit ▶ significant matters, if any, arising from the audit that were discussed with management ▶ written representations that we are seeking ▶ expected modifications to the audit report ▶ other matters if any, significant to the oversight of the financial reporting process 	▶ Report to those charged with governance
Misstatements <ul style="list-style-type: none"> ▶ uncorrected misstatements and their effect on our audit opinion ▶ the effect of uncorrected misstatements related to prior periods ▶ a request that any uncorrected misstatement be corrected ▶ in writing, corrected misstatements that are significant 	▶ Report to those charged with governance
Fraud <ul style="list-style-type: none"> ▶ enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ a discussion of any other matters related to fraud 	▶ Report to those charged with governance
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ non-disclosure by management ▶ inappropriate authorisation and approval of transactions ▶ disagreement over disclosures ▶ non-compliance with laws and regulations ▶ difficulty in identifying the party that ultimately controls the entity 	▶ Report to those charged with governance
External confirmations <ul style="list-style-type: none"> ▶ management's refusal for us to request confirmations ▶ inability to obtain relevant and reliable audit evidence from other procedures 	▶ Report to those charged with governance
Consideration of laws and regulations <ul style="list-style-type: none"> ▶ audit findings regarding non-compliance where the non- 	▶ Report to those charged with

Required communication	Reference
<p>compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</p> <ul style="list-style-type: none"> ▶ 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 	governance
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement director's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ the principal threats ▶ safeguards adopted and their effectiveness ▶ an overall assessment of threats and safeguards ▶ information about the general policies and process within the firm to maintain objectivity and independence 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ whether the events or conditions constitute a material uncertainty ▶ whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ the adequacy of related disclosures in the financial statements 	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	<ul style="list-style-type: none"> ▶ Report to those charged with governance
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ breakdown of fee information at the agreement of the initial audit plan ▶ breakdown of fee information at the completion of the audit 	<ul style="list-style-type: none"> ▶ Audit Plan ▶ Report to those charged with governance ▶ Annual Audit Letter if considered necessary
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	<p>Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary</p>

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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Report to	Audit committee 17 March 2015	Item
Report of	Head of internal audit and risk management, LGSS	6
Subject	Internal audit and fraud team 2014-15 – January to February update	

Purpose

To advise members of the work of internal audit between January and February 2015 and progress against the 2014-15 internal audit plan, together with the work of the fraud team between April 2014 and February 2015.

Recommendations

To note:

- (1) the work of internal audit between January and February 2015;
- (2) the progress on the 2014-15 internal audit plan;
- (3) the work of the fraud team between April 2014 and February 2015;
- (4) the latest position on the national fraud initiative (NFI);
- (5) the latest counter fraud developments;

Corporate and service priorities

The report helps to meet the corporate priority “Value for money services”.

Financial implications

None.

Ward/s: All wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

Jonathan Idle, head of internal audit and risk management (LGSS)	01223 715317
Steve Dowson, internal audit manager (LGSS)	01603 212575
Andrew Rush, team leader (fraud), LGSS	01603 212632

Background documents

None

Report

Background

1. The internal audit plan for 2014-15 was endorsed by members in March 2014.
2. This report covers the following areas:
 - audit assurance work January to February 2015, plus other areas of non-assurance work
 - matters arising from previous meeting
 - the audit plan 2014-15, showing progress against planned audits
 - summary of fraud team work April 2014 to February 2015
 - the latest position on the national fraud initiative (NFI)
 - the latest counter fraud developments
3. For each audit assurance review a report is presented to the relevant head of service, including recommended actions to be taken. Audits are subsequently followed up to ensure that the agreed actions have been implemented.

Audit assurance work January to February 2015

4. The following areas were reported on between January and February:
 - Parking Gateway IT system – moderate assurance. The Parking Gateway system is used to record, administer and progress all Penalty Charge Notices (PCNs) issued as part of the authority's on-and off-street enforcement activities. There was assurance across most of the areas including system administration procedures; input, output and system interface controls; and backup and disaster recovery.

However, documentary evidence for system upgrades is not being maintained, plus no evidence of staff procedure manuals being updated with new information after system upgrades or staff being informed of changes made to system; the procedure for recording changes to corporate systems is incomplete and some risks specific to application systems have not been identified, documented and adequate controls put in place.

Five recommendations were agreed which are due to be implemented by the end of April 2015.
 - Accounts payable – substantial assurance. There was assurance over segregation of duties at each stage of the BACS and cheque payment processes; authorisations; monthly reconciliations; storage and movement of blank cheques; and the processes when dealing with requests to change supplier details, although these are not subject to management review.

However, a review of user access to the system is overdue; clarification of BACS limits is required; there are inconsistencies between procedures for cheque and BACS payments; and some members of staff can both raise and pay invoices.

Eight recommendations were agreed which are due to be implemented by the end of April 2015.

- Civica IT system – moderate assurance. Civica is the corporate document management and workflow system used by two thirds of council employees and it indirectly interfaces with other council application systems. There was assurance across most of the areas including input, processing and output controls; system interface controls; and backup and disaster recovery.

However, there are no operational guidance notes for some of the modules; a possible upgrade had not been implemented; procedure manuals out of date; several major incidents logged. Management were already aware of the issues, and the system is in the process of being upgraded.

Six recommendations were agreed, some of which are complete, while others are dependent on the system upgrade in March 2015.

5. Other assurance work which is in progress is shown in **appendix 1**.

Non-assurance work

6. The main areas of non-assurance work in the period were:

- Preparing for a review of the council's corporate risk register.
- Co-ordinating the investigation of matches from the NFI 2014-15 data matching exercise.

Matters arising from previous meeting

7. The two actions from the audit of the Workforce IT system, due by December 2014, are complete.
8. The five actions from the audit of street trading income, due by the end of December 2014, are complete.
9. Norfolk Audit Services have just started an audit of the Highways Agency Agreement. The scope of the review covers assurance over objectives and targets; contract management and monitoring; management and monitoring of financial and service performance; and governance and quality assurance arrangements.
10. Contract management in citywide services was previously reviewed in 2012, which resulted in an unsatisfactory assurance opinion. Ten recommendations were agreed, which had all been implemented by the time of the follow-up review in 2013.
11. LGSS IT has procured the missing Oracle licences and has also set up the ongoing support and maintenance associated with them. These now form part of the annual charges from Oracle for the entire Norwich financial system.
12. The scope of the joint ventures/shared services audit covers governance, performance and value for money arrangements for LGSS; nplaw; NPS Norwich; Norwich Norse (Environmental); and Norse Environmental Waste Service. The audit is substantially complete and the report is currently being drafted.

Progress against the audit plan

13. As reported to your last meeting, implementation of the planned restructure of the LGSS internal audit service has been delayed, which has had an impact on delivery of the audit plan.
14. In addition, due to changed circumstances relating to some planned audits, members approved some amendments to the plan, with some audits being deleted or reduced in scope and replaced by new reviews.
15. It was reported that, subject to members' approval of the proposed changes, a revised forecast of the audit plan would be agreed with the chief finance officer.
16. Details of the revised audit plan for 2014-15 are shown at **appendix 1**. This shows a revised plan requirement of 545 days, against which it is estimated that 526 days will be delivered using resources from the wider LGSS internal audit team.
17. To the end of February 2015, 348 days has been spent on audit assurance work. This includes work on audits started at the end of 2013-14 but not completed. 75 days were also spent on non-assurance work and unplanned request work.

Summary of fraud team work April 2014 to February 2015

18. A summary of work by the fraud team in the current year follows (figures in brackets are for the 2013-14 comparator):
 - Number of benefit cases referred to the fraud team – 591 (835)
 - Number of referred benefit cases investigated – 354 (471)
 - Number of benefit sanctions and prosecutions – 79 (30)
19. As at the end of February the fraud team had identified benefit overpayments in excess of £488,000. The annual KPI for this is £160,000 (approximate running costs of the fraud team), so this measure has already been substantially exceeded. Each case of fraud or customer error results in a subsidy payment of 40% of the total overpaid amount to the authority, therefore the team has paid for itself in subsidy returns alone (£195,000).
20. By the end of February the fraud team had completed 79 sanctions and prosecutions (the total for the whole of 2013-14 was 40).

National fraud initiative (NFI)

21. There is now only one case outstanding from 2012-13, which is currently with nplaw to consider a prosecution.
22. For the 2014-15 exercise, 2,306 matches for possible investigation were released at the end of January, and work is in progress to prioritise the investigation of these. Some reports (14% of the total) have been closed with no fraud being detected.

Latest counter fraud developments

Counter fraud fund and single fraud investigation service (SFIS)

23. The posts from the DCLG counter-fraud fund have been graded and will be advertised shortly. LGSS audit/fraud have a meeting with the council's business relationship manager on 16 March to discuss counter fraud work at Norwich.
24. From 2 March there is a new fraud reporting page on the council website, which routes benefit fraud referrals directly to the DWP, and other frauds to relevant service leads within the council.
25. Members of the LGSS fraud team at Norwich have been given posting notices with their grades and locations for their transfer to the DWP on 1 April. Any live benefit fraud cases at close of business on 26 March will be transferred to the DWP for continuation of investigation. Any files at nplaw will remain there until their conclusion.
26. The benefits service has created a secure email address for the exchange of information with the DWP SFIS, with two admin officers and two benefits assessment officers tasked with maintaining the workflow.
27. The council is currently exploring whether to retain membership of the National Anti-Fraud Network (NAFN), which offers search fees for investigation and enforcement at preferential rates. This has been mainly used by the LGSS fraud team historically.

LGSS Internal Audit - Revised Internal Audit Plan for Norwich City Council 2014-15			
	Projected days	Actual to Wk 48	Comments/latest position
Audit Assurance Work			
Fundamental systems			
Purchasing	26	26.0	Complete
Accounts receivable (debtors)	25	24.6	In progress
NCC payroll	10	7.0	In progress
Housing rents/arrears	10	10.6	In progress
Housing & council tax benefits	10		
Council tax	5	0.1	
NNDR	5		
Sub-total	91	68.3	
Income generation	20	4.0	In progress
Joint ventures	20	23.9	In progress
Procurement & contract management arrangements:			Allowance for possible input to tendering, monitoring, procedural compliance. Involvement in specific contracts. Plus presence on project teams
New bank contract	20	20.3	Audit presence on project team
NPS	20	3.5	Preparation
Parking permits	1	0.8	
Probity	16	3.9	Income from street trading complete
Sub-total	97	56.4	
Business relationship management			
Council tax & NNDR systems	15		VFM review - impact of scheme changes on collection costs
ICT audits:	75	71.4	Incl. embedded assurance - Corporate Information Assurance Group; input to IT audits
Civica			Complete
Northgate			Draft report issued
Workforce			Complete
Parking Gateway			Complete
Bacstel IP			Complete
Sub-total	90	71.4	
Operations			
CIL income	10	6.5	In progress
Provision market	13	11.8	Complete
Licensing	10	2.9	In progress
Leasehold services	15		Q4
Cemeteries	15	3.6	In progress
Home improvements	15	17.7	In progress
Parking income	15	18.6	In progress
Sub-total	93	61.1	

Audit Assurance Work	Projected days	Actual to Wk 48	Comments/latest position
Customers, communications & culture			
Land charges	15	14.5	Complete
Sub-total	15	14.5	
Non-specific			
Ad-hoc investigations	4	6.0	Contingency (no major investigations to date)
To complete 2013-14 plan	54		
Managing customer demand		6.1	Complete
Payroll		3.9	Complete
NNDR		5.4	Complete
C Tax		5.2	Complete
Commissioning		0.0	Testing complete
Housing benefits		5.6	Complete
Treasury management		0.6	Complete
Purchase cards		13.9	Complete
Accounts payable		12.3	Complete
Follow-ups	18	17.3	Follow ups required by PSIAS
Sub-total	76	76.3	
Total for audit assurance work	462	348.0	
Consultancy & non-assurance work			
Corporate governance	17	15.7	Preparation of AGS; corporate governance group; update code of governance
Anti-fraud and NFI work	41	36.1	Fraud risks; key contact for NFI 2014-15 (upload data & ensure matches investigated)
Advice, unplanned work requests	25	23.5	Contingency
Total for non-assurance/consultancy work	83	75.3	
Total Allocated Days	545	423.3	

Report to	Audit committee 17 March 2015	Item
Report of	Head of internal audit and risk management, LGSS	7
Subject	Draft internal audit plan for Norwich City Council 2015-16	

Purpose

This report provides the audit committee with an outline of the 2015-16 internal audit plan for Norwich City Council as attached at appendix 1.

Recommendation

To endorse the draft internal audit plan for Norwich City Council for 2015-16

Corporate and service priorities

The report helps to meet the corporate priority Value for money services.

Financial implications

None directly

Ward/s: All wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

Jonathan Idle, head of internal audit & risk management 01223 715317

Steve Dowson, audit manager 01603 212575

Background documents

Report

Background

1. The audit committee procedure rules include “Consider, endorse and monitor delivery of the internal audit annual work programme, including any significant in-year changes to the programme or resource requirements.”
2. Internal audit provides an independent assurance function which reviews and reports on the adequacy and effectiveness of the council’s risk management, governance and internal control processes. In doing so it contributes to the proper, economic, efficient and effective use of the council’s resources.
3. As a requirement of the Accounts and Audit Regulations 2011, the council is required to make provision for internal audit in accordance with “proper practices in relation to internal control.”
4. The *UK Public Sector Internal Audit Standards* came into effect on 1 April 2013. The standards include the requirement for the head of internal audit to prepare a risk-based internal audit plan which takes into account ‘the requirement to produce an annual internal audit opinion and the assurance framework’. In preparing the plan, he or she ‘takes into account the organisation’s risk management framework’ or ‘uses his/her own judgment of risks after consideration of input from senior management’.
5. The standards also state that the plan must be linked to a high-level statement of how the internal audit service will be delivered.
6. Since 2012-13 the internal audit function has been delivered by LGSS. The plan will be delivered by Norwich-based LGSS staff, supplemented as necessary by resources from the wider LGSS internal audit and risk team, eg specialist computer auditor for ICT audits.
7. LGSS ensures that the audit plan is delivered in accordance with the requirements of the council under the service level agreement, and to the standard expected by the external auditor (EY) under the ‘managed audit’ regime.

Audit planning methodology

8. The audit standards require that audit plans will be prepared using a risk-based approach, aligned to council risk registers, taking account of the risk maturity of the organisation and the assurance framework.
9. The *CIPFA statement on the Role of the Head of Internal Auditor (HIA) in Local Government* outlines that a key principal role of the HIA must be to give “an objective and evidenced based opinion on all aspects of governance, risk management and internal control”.
10. Taking these requirements into account, the bulk of internal audit’s planned work is therefore devoted to reviewing and providing assurance on the council’s control environment. The plan has also taken account of national and local developments and initiatives to ensure that audit coverage is directed towards areas of highest risk or current importance to the council. The draft plan has therefore been prepared by reference to the corporate and service risk registers.

11. The plan has also been developed through consultation with the business manager's group, which comprises members of corporate leadership team, the chief finance officer (section 151 officer), executive heads and heads of service. Where appropriate the plan has either been revised or additional areas of focus added.
12. In order to deliver the planned work, the annual risk based plan is then translated into individual audit assignments by:
- The identification and recording of the objectives, risks and controls;
 - Evaluating and reviewing the application of risk management processes associated within the system;
 - Evaluating the controls in place to mitigate material risks, forming an opinion on the appropriateness of design and operating effectiveness of these controls;
 - Determining an appropriate strategy to test the effectiveness of controls;
 - Arriving at conclusions and reporting them, leading to management actions;
 - Providing an opinion on the effectiveness of the control environment; and
 - Monitoring the implementation of agreed changes to the internal control arrangements.
13. With the move of the fraud team to DWP in April, the council has asked LGSS to look at ways to save £10,000 from the internal audit budget. This equates to about 35 days, and these have been added to the time allowed for fraud work, which now totals 80 days. Adjustments have been made to time allowed for other reviews in order to keep to the overall budgeted resource.
14. The draft plan is shown at **appendix 1**. Members will note that the indicative resources for 2015-16 are 590 days, which is a slight reduction of 10 days compared to the 2014-15 plan.
15. The plan will be kept under review in conjunction with the council's assurance processes and any changes to priorities or the risk environment. Members will be kept informed of any changes to and progress against the plan as part of the regular reporting process.

Conclusion

16. The audit planning process and internal audit plan for the council for 2015-16 contributes to members' assurance on the council's main business risks, and supports the annual governance statement. Any amendments to the plan resulting from changes in priorities or risks during the year will be reported, together with progress against the plan.

LGSS Internal Audit - Draft Internal Audit Plan for Norwich City Council 2015-16			
	2015-16		
	Estimated		
	Days	Comments / Type of review	Corp Risk
Financial systems			
Purchase to pay	20	Audited annually under managed audit regime	C5
Accounts receivable	20	Audited annually under managed audit regime	C5
Payroll	10	Audited annually under managed audit regime	C5
Housing rents/arrears	15	Audited annually under managed audit regime	C5
Housing benefits	20	Audited annually under managed audit regime	C5
Council tax	15	Audited annually under managed audit regime	C5
NNDR	15	Audited annually under managed audit regime	C5
Bank reconciliations	5	Risk based audit	C5
Cash receipting	15	Risk based audit	A1, C5
Sub-total	135		
Corporate			
Strategic risk management	15	Administration and reporting of corporate risk register	A2
Corporate governance	25	Co-ordination & preparation of AGS; corporate governance group; policy updates	A2
Sub-total	40		
Business relationship management			
Procurement & contract management arrangements	25	Allowance for possible input to tendering, monitoring, procedural compliance. Involvement in specific contracts. Plus presence on project teams	A3, C2, C4
Insurance	10	Risk based audit	C3, C5
Financial IT system implementation	30	Audit presence on project team	A2, C2
Information management	15	Risk based audit	C3
Register of electors	10	Risk based audit	C3, C5
ICT audits:	10	Incl. embedded assurance re Corp Info Assurance Group; input into IT audits	C3
ICON cash receipting	15)	C3
UNIFORM	15) Taken from IT audit needs analysis	C3
Website and e-forms	15)	C3
Sub-total	145		
Regeneration & development			
CIL expenditure	15	Risk based audit. Increased to 15 days following comments from BMG	A6
Sub-total	15		
Strategy, people & neighbourhoods			
HRA business plan & HIP	15	Risk based audit	A8, B1, B2, B4
Private sector leasing	15	Risk based audit	C5
Right to buy	15	Risk based audit	C5
Safeguarding duties	15	Risk based audit	A4
Garages	5	Risk based audit	B2, C5
Allotments	5	Risk based audit	C5
Sub-total	70		
Customers, communications & culture			
Go4Less	5	Risk based audit	C5
Sub-total	5		
Fraud & corruption			
Anti-fraud and NFI work	80	Fraud risks; key contact duties for NFI matches and 2015-16 upload (SPD matches)	C5
Special investigations	15	Contingency	C5
Sub-total	95		
Contingencies			
To complete 2014-15 plan	40		
Follow-ups	20	Follow ups required by Code of Practice	
Advice, guidance, etc	25	Contingency for advice, guidance & unplanned work requests	
Sub-total	85		
Total planned time	590		
Resources			
	Days		
Head of audit / Audit manager	65		
Principal auditor	180		
Senior auditor	200		
Senior auditor / graduate trainee	100		
Computer auditor	45		
	590		

Corporate Risks	
Risk description	Risk ref.
Customer demand	A1
Delivery of the corporate plan and key supporting policies and strategies within the council's strategic framework	A2
Relationship management with key service delivery partners and the management of contracts	A3
Safeguarding children, vulnerable adults and equalities duties	A4
Delivery of Joint Core Strategy (JCS)	A6
Housing investment strategy	A8
Public sector funding	B1
Income generation	B2
Capital developments	B4
ICT strategy	C2
Information security	C3
Failure of major contractor or legal challenge following an unsuccessful tender bid	C4
Fraud & corruption	C5

Report to	Audit committee	Item
	17 March 2015	
Report of	Head of internal audit and risk management, LGSS	8
Subject	Review of corporate risk register	

Purpose

To update members on the review by the corporate leadership team of key risks facing the council, and the associated mitigating actions as noted in the corporate risk register.

Recommendation

To note the corporate risks and the key controls in place and further actions planned to mitigate the risks.

Corporate and service priorities

The report helps to meet the corporate priority “Value for money services”.

Financial implications

None

Ward/s: All wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

Jonathan Idle, head of internal audit and risk management (LGSS)	01223 715317
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Steve Dowson, internal audit manager (LGSS)	01603 212575
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Background documents

None

Report

Background

1. Risk management is a fundamental aspect of the council's business practices. Cabinet has an executive role in the management of risks across the council in its role of ensuring the delivery of the council's priorities.
2. Audit committee provides independent assurance of the adequacy of the council's risk management framework and the associated control environment.
3. In line with the risk management strategy, the template for risk registers includes scoring for inherent risks (before any mitigating controls are considered) and residual risk (after taking account of key controls, which are listed). Any further planned actions to mitigate risks are also shown.
4. The current corporate risk register was previously reported to audit committee on 18 November 2014 and approved by cabinet on 10 December 2014.

Review of corporate risks

5. In line with the risk management strategy, on 4 March the corporate leadership team carried out its quarterly review of the key risks to achieving the council's priorities and updated the register.
6. The updated corporate risk register is attached at **appendix 1**.

Changes to the corporate risk register

7. The only major change to the register following the latest review is the removal of risk A5 - Norwich and Homes & Communities Agency strategic partnership. CLT agreed it was no longer a corporate risk as the scope of the project has narrowed and the partnership is now fully focussed on the Three Score development at Bowthorpe. Also, funding which was reliant on HCA is now quite low.
8. Other changes mainly relate to the addition of some causes in column three and additional/expanded key controls in column ten. In a few cases, key controls which are no longer relevant have been removed.
9. Finally, the council priorities listed at the end of the register have been updated in line with the recently approved corporate plan 2015-2020.
10. The register attached at appendix 1 highlights where changes have been made.

Summary of residual risk scores

11. As with the previous register, a summary is included at **appendix 2** which shows the residual risk level for each of the risks. This demonstrates where each risk sits in relation to the council's risk appetite, ie there should be no risks with a residual score greater than 15, unless specifically approved by cabinet.

Conclusion

12. Risk management processes are well embedded within the council, and members can be assured that the corporate risk register is up to date following review by the business managers group of the key risks to achieving the council's objectives.
13. Each risk shows the owner and the key controls in place or planned to minimise any impact on the council and its provision of services to stakeholders.
14. The risk management strategy requires managers to keep all risks under review, and the corporate risk register will be regularly updated accordingly.

CORPORATE RISK REGISTER

Version Date: March 2015

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
CUSTOMER PERSPECTIVE																	
A1	Customer demand	1. Customer demand exceeds our capacity to deliver services as they are currently configured 2. Transfer of demand arising from service delivery changes or budget cuts by other public agencies 3. Excessive customer demand in key areas, particularly in relation to the need to cut services, or changes to policies eg council tax benefits	1. Unable to cope with demand 2. Complaints 3. Reputation damage	EH-CC&C	All	4	4	16 (R)	1. Proactive research on customer profile, forward planning, eg anticipating future events that will generate higher demand and use of data held to map and channel shift. 2. Data capture, consultation, survey and service planning. 3. Being robust about the role and responsibilities of Norwich City Council	3	2	6 (A)	Customer service improvement plan for F2F service - Phase 1	Head of customer services	Ongoing	Mar-16	G
A2	Delivery of the corporate plan and key supporting policies and strategies within the council's strategic framework, including environmental strategy and financial inclusion strategy	Corporate priorities are not on target to be delivered. The council has a clear set of corporate priorities within its corporate plan. Within the council's wider strategic framework, there are a number of key corporate strategies and policies which must be delivered across the organisation to realise the council's priorities e.g. environmental strategy, financial inclusion strategy etc The welfare reform act and other key pieces of legislation are changing the framework for local government and put new requirements on the council that must be met in a number of different areas. When this is combined with the significant savings the council will need to make to meet the government funding reductions, there is a risk that these changes will reduce the capacity of the council to deliver on its key corporate priorities.	1. Key priorities for the city are not delivered 2. Projects halted or delayed 3. Adverse public opinion 4. Projects / work completed to a lower quality 5. Negative impact on outcomes for customers 6. Negative performance ratings for the council 7. Continual over-stretching of capacity 8. Inconsistent approach taken across council 9. Full benefits not realised 10. Benefits of cross working not gained 11. Lack of corporate working 12. Staff confusion over policies and process 13. Failure to take the opportunity to make the lives of Norwich citizens better	EH-SP&N	All	3	4	12 (A)	1. Regular review of corporate plan, medium term financial strategy and other key policies and strategies. 2. Effective performance and programme management 3. Corporate planning and service planning aligned with budget setting to ensure resources are in place to deliver priorities. 4. Effective preparation for changes in legislation.	2	4	8 (A)					

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions						
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG		
A3	<p>Relationship management with key service delivery partners and the management of contracts.</p> <p>The council has a number of key partnerships with LGSS, NPS Norwich, and NP Law. There is also a highways agency agreement with Norfolk County Council. This approach to service delivery requires a different managerial approach by the city council. The council also has a number of key contracts – eg with NORSE, BIFFA, and Anglia Windows Ltd, – which require strong, consistent procurement and client management.</p>	<p>1. Partnerships not managed effectively and key service outcomes not achieved.</p> <p>2. Contracts not managed effectively, and key service outcomes not achieved.</p>	<p>1. The council doesn't get value for money</p> <p>2. Benefits of partner and contract arrangements not realised</p> <p>3. Constant negotiation around the service delivery agreement</p> <p>4. Specification not adhered to</p> <p>5. Services not provided at an acceptable level</p> <p>6. Customer and staff complaints</p>	EH-BRM&D	5	3	4	12 (A)	<p>1. New governance structure is in place to manage the individual partnership agreements (eg NPS Norwich Board, LGSS liaison group, NP Law Board, all major contracts have strategic and operational governance arrangements with officer and member representation.</p> <p>2. In response to the council operating model training requirements are being reviewed and staffing structures refreshed to reflect this change. Contract management training has been completed for staff delivering environmental works contracts.</p> <p>3. A contract and business relationship management toolkit has been deployed. This aims to create consistency of management of both financial and performance objectives and monitoring and management of all economic, social and environmental issues associated with the service.</p> <p>4. September 2013 Scrutiny meeting reviewed the LGSS service provision and noted the improvements in the revenues & benefits service.</p> <p>4. Internal audit is currently reviewing arrangements to ensure that robust governance by client managers is in place. Results to be reported to CLT in March 2015.</p>	2	4	8 (A)							

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
A4	Safeguarding children, vulnerable adults and equalities duties	1. Safeguarding and equalities duties and responsibilities not embedded throughout the council and its contractors/ commissioned services/ partners. 2. Change in council service delivery model with an increase in the number of partnership arrangements will require new arrangements for the delivery of safeguarding and equalities duties. 3. Impact of cuts on care services and benefit funding. 4. Critical incident 5. Change in contractor/ commissioned service/partner 6. Reduced service provision 7. Not being able to attract staff with diverse abilities and backgrounds 8. The peer review of adult safeguarding at Norfolk County Council found a number of significant issues, which increases the risks for partner organisations	1. Vulnerable adults and children at greater risk of exclusion or harm 2. Individuals from a community of identity dealt with inappropriately and at risk of exclusion 3. Risk of judicial review on accessibility of services 4. Risk of damage to reputation if an employee discrimination claim is made based on equalities legislation	EH-SP&N	1 & 3	3	4	12 (A)	1. Safeguarding children policy and procedures in place and reviewed annually through safeguarding group. 2. Safeguarding adult policy and procedures in place and reviewed annually. 3. Safeguarding duties included in new contracts to ensure duties are embedded with new contractors. Where appropriate, joint training/ awareness sessions are held. 4. Equalities duties overseen by BMG 5. A contract and business relationship management toolkit has been deployed. This aims to create consistency of management of both financial and performance objectives and monitoring and management of all economic, social and environmental issues associated with the service and particularly in relation to safeguarding 6. Equality training undertaken for all staff and managers 7. Managing mental health training for managers 8. Safeguarding training provided to all staff. 9. Safeguarding guidance provided to all councillors 10. External reviews of the council's approach	2	4	8 (A)	Work is progressing with contract managers to ensure monitoring and annual reporting of cross cutting themes including safeguarding and equalities is undertaken consistently with contractors. Training for all staff being reviewed to ensure it is relevant to job roles and reflects emerging safeguarding issues and priorities.	Head of local neighbourhood services	Jul-14	Sep-15	G
A5	Norwich and Homes & Communities Agency Strategic Partnership (NAHCASP) Three elements: 1) Development of land at Bowthorpe for mixed tenure- 2) Other affordable housing and regeneration schemes- 3. South city centre masterplan work-	1. Reputation – material breach of contract 2. Change of rules by the government – tighter deadline for bidding for affordable housing grant – deadlines missed 3. Need to establish a future investment programme using funds from Bowthorpe development – Failure to establish investment programme 4. Need to establish deliverable development proposals and funding. 5. Need to identify partner for delivery of affordable housing and care home provision. 6. Funding for some projects may not be obtained	1. Projects halted or delayed 2. Adverse public opinion 3. Increase in local unemployment 4. Funding may have to be returned 5. Core infrastructure and affordable homes may not be delivered	EH-R&D	4	2	4	8 (A)	1. Contract Strategic Board includes Members and HCA- 2. Officer Implementation Board- 3. Annual Business Plan- 4. Project managers for individual projects. 5. Regular financial and budget reports- 6. Two audit reports gave good assurance on controls- 7. New outline planning permission in April 2012 to provide development framework for phased delivery of the site- 8. Consultants appointed for south city centre masterplan work- 9. Council to take on role of development partner for affordable housing in phase one and care home development partner has been agreed-	2	3	6 (A)					

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
A6	Delivery of Joint Core Strategy (JCS). The council, through the Greater Norwich Growth Board, is seeking to promote delivery of the JCS. If delivered, JCS will see more than 30,000 homes built in the greater Norwich area, and 35,000+ jobs created over next 15 years	Delivery of the JCS may be jeopardised by: 1. One or more district councils failing to identify sufficient sites or bring forward detailed development plans to deliver the JCS in the next five years. 2. Markets failing to deliver on preferred development sites identified for housing 3. The government changing allowed approaches to calculating housing land supply to require all the backlog in housing supply that has arisen since 2008 to be met in the next five-year period rather than over the remainder of the plan period of the JCS (ie up to 2026). 4. Failure to deliver the infrastructure required to support development 5. The council increasingly relies on income from NNDR (business rates). This may be at risk if other councils allow commercial developments on the edge of the city but outside the boundary.	1. Reputation damage 2. Significant likelihood that the overall development strategy for the Greater Norwich area will not be delivered	EH-R&D	2 & 4	3	4	12 (A)	1. Ensuring that strategies being prepared with GNGB colleagues are as robust as possible and firmly grounded in reliable evidence. 2. Inter-authority working based on consensus decision-making ensures all parties are in agreement with the proposed policy framework. 3. All policy work is supported by comprehensive evidence in accordance with government guidelines. 4. Greater Norwich Growth Board responsible for ensuring funding is available for investment in infratructure to support growth.	2	3	6 (A)					
A8	Housing Investment Strategy As part of the reform of the HRA the council has taken on a substantial debt to replace the former negative housing subsidy system. This debt will be repaid over a period not exceeding 30 years. In addition to debt repayments the council has adopted a new standard for investment in the housing stock and a commitment to fund a new build programme	1. Should the cost of works increase and/or the level of income reduce, then it may be necessary to review the housing investment strategy. 2. In addition, below inflation/rpi increases in rents will impact on income. 3. Reduction in rental income (arising from a high level of council house sales, increasing debt or other factors). 4. Significant increase in the cost of delivering improvement works 5. Failure to deliver by contractors	1. Failure to deliver the Norwich Standard within the expected timescale 2. Lack of resources to support a new build programme. 3. Increased tenant dissatisfaction 4. Reduced new build programme.	EH-SP&N	4	3	3	9 (A)	1. Regular review of HRA business plan and housing investment plan to reflect financial position of the HRA. 2. The main control will be the timescale for delivering the Norwich Standard to all properties together with the delivery of any agreed new build programme. 3. Regular review of key projects. 4. Effective contract management 5. Work with Registered Providers to maximise use of retained Right to Buy receipts for the development of new social housing where spend by the Council is not possible.	2	3	6 (A)					

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
FINANCE AND RESOURCES																	
B1	Public sector funding	1. Further economic decline. 2. Change in national government policy as a result of the economic position 3. New policies and regulations place a major financial burden on the council eg RSG and HRA restructuring. 4. Effects of funding cuts on major partners despite increased referrals, eg health and social care, may result in increased costs for the council	1. Major reduction in public sector funding, including consequences of changes in funding arrangements for other bodies. 2. Impact on balancing the budget – significant change and financial savings required. 3. Unable to make saving within the required timescales 4. Erosion of reserves 5. Major financial problems 6. Reputation damage 7. Possible industrial action 8. Changes become “knee jerk” 9. Govt intervention 10. Council loses critical mass in key areas 11. Service failures 12. Potential disproportionate impact on the poorest and most vulnerable members of society	CFO	All	5	4	20 (R)	1. Comprehensive 5-year transformation programme based on minimum resource allocation and robust benefit realisation. 2. Medium Term Financial Strategy incl. reserves policy, financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated. 3. HRA business plan. 4. Weekly review by CLT of government announcements to assess implications and response required. 5. Keep service design under review 6. Continual review of financial position by the council and major partners	5	3	15 (A)					
B2	Income generation	1. Further economic decline. 2. Under-utilisation of assets 3. CIL (community infrastructure levy) income is below expectations. 4. Collapse in world markets leading to loss of income 5. Low economic growth or recession reduces income 6. Other triggers: a) Bethel St Police Station – market value payment b) Triennial pensions review. c) VAT partial exemption. d) Variable energy prices. e) Increasing voids due to market and economy factors. f) Loss of major tenant. g) GNDP board decision or cabinet decision on CIL investment arrangements. h) The council increasingly relies on income from NNDR (business rates). This is a volatile income stream and may be at risk from changes to Government policy around planning and if other councils allow commercial developments on the edge of the city but outside the boundary. i) Lack of experience in some services for generating income	1. Inability to raise capital receipts 2. Impact on balancing the budget – significant change and financial savings required. 3. Decline in income streams (eg rents from investment properties) – insufficient funds to maintain current service levels 4. Unable to make saving within the required timescales 5. Erosion of reserves 6. Major financial problems 7. Reputation damage 8. Govt intervention 9. Council loses critical mass in key areas 10. Service failures 11. Potential disproportionate impact on the poorest and most vulnerable members of society 12. Damage/costs across void portfolio 13. Essential infrastructure to deliver growth in the GNDP area is delayed.	CFO	All	5	4	20 (R)	1. Comprehensive 5-year transformation programme based on minimum resource allocation, maximisation of income generation and robust benefit realisation. 2. Medium Term Financial Strategy incl. reserves policy, capital and revenue financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated. 3. HRA business plan. 4. GNDP have an agreed investment plan for the Greater Norwich area and have appointed consultants to advise on the use of CIL to help deliver this programme. 5. Clear strategy for investment 6. Commercial skills training provided to all Heads of Service 7.CIL programme controlled by Norwich prioritised and caution taken to ensure spend not incurred until monies certain to be received.	3 4	4 3	12 (A)					

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
B3	Level of reserves The council has a legal duty to ensure it has a prudent level of reserves to conduct its business	1. Government policy. 2. Economic climate 3. Reserves fall below acceptable levels	1. Inadequate levels of reserves publicly reported by external auditors 2. Government intervention 3. Impact on reputation of the council	CFO	All	3	4	12 (A)	1. Medium term financial strategy (MTFS). 2. Development of the 5-year corporate plan and transformation programme in conjunction with the MTFS. 3. HRA Business Plan. 4. Planning and delivery of transformation (savings and income generation) programme. 5. Contract and business relationship management to identify and respond to business delivery risks. 6. Budget development, in-year monitoring and control	2	3	6 (A)					
B4	Capital developments	1. Housing / other developments may take longer to proceed than planned. 2. Housing / other developments may cost more than planned . 3. Interest rates on debt may rise beyond projections. 4. Developments may not generate planned levels of income.	1. Delay in income streams may put pressure on revenue budgets. 2. Reduced net revenue contribution from developments. 3. May put pressure on revenue budgets / reserves to service debts 4. Pressure on revenue budgets	CFO	All	5	4	20 (R)	1. Medium Term Financial Strategy incl. reserves policy, capital and revenue financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated. 2. HRA business plan. 3. Capital Management Group set up and Capital Board ToR being developed 4. Continual review of investments 5. Balanced risk profile	3	4	12(A)					

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
PROCESSES AND SYSTEMS																	
C1	<p>Emergency planning and business continuity</p> <p>(The council delivers a range of complex services to vulnerable elements of the community. Organisations generally are experiencing significant continuity events once every five years on average)</p>	<p>Occurrence of a significant event:</p> <ul style="list-style-type: none">• Loss of City Hall• ICT failure• Contractor collapse• Severe weather events – storms, heatwaves, strong winds• Flooding• Sea level rise• Fuel shortages• Communications failure• Pandemic• Loss of power <p>The council, businesses and members of the public in the city will also be at risk from the local effects of climate change in the medium to long term.</p>	<p>1. Service disruption and inability to deliver services</p> <p>2. Disruption of the delivery of goods and services to the council</p> <p>3. Increased requests for council resources and services</p> <p>4. Health and safety impact on staff and vulnerable residents</p> <p>5. Damage to council property and impact on tenants</p> <p>6. Reputation damage</p> <p>7. Years to recover</p>	EH-BRM&D	All	4	4	16 (R)	<p>1. The council is a member of the Norfolk Resilience Forum, which has produced a Norfolk Community Risk Register</p> <p>2. Business continuity team with access to resources; action plans have been used to deal with actual total City Hall IT failure; alternative site for customer contact team; disaster recovery plan and the use of Blackberries for communications.</p> <p>3. The council has a major emergency management strategy and emergency planning room established at City Hall. Approach has also been used to test business continuity in the event of the main works contractor changing.</p> <p>4. Flu pandemic plan.</p> <p>5. The Norfolk Climate Change Partnership has produced a climate change risk assessment for Norfolk local authorities</p> <p>5. Adaptations to protect the council from the local effects of climate change and address the causes are covered by corporate strategies such as the environmental strategy and sustainable community strategy, together with service plans.</p> <p>6. A new business continuity management policy and framework was approved by cabinet 25 June 2014.</p> <p>7. A business impact analysis for each service is reviewed and assessed by CLT once complete.</p>	4	3	12 (A)					
C2	<p>ICT strategy.</p> <p>The council has transferred its ICT service to LGSS. The ICT Programme Board works alongside LGSS to keep up to date the and it will rely on LGSS to develop an ICT strategy for the council</p>	<p>ICT strategy fails to support the organisation moving forward and the lean blueprint for a new council</p>	<p>1. Incoherent approach to ICT systems</p> <p>2. Systems not customer friendly</p> <p>3. Systems are not integrated with one and other</p> <p>4. Drain on resources as staff work around the systems</p> <p>5. Lack of accuracy in key data</p> <p>6. Data are unreliable</p> <p>7. Key information not trusted</p> <p>8. Hinders management and service improvements</p> <p>9. Failure to deliver council priorities</p>	EH-BRM&D	All	3	4	12 (A)	<p>1. NCC has developed an ICT strategic direction document detailing the key areas where ICT is required to support business objectives and change.</p> <p>2. Management of the LGSS relationship will seek to ensure that NCC requirements are delivered.</p> <p>3. The council has introuced a new ICT Programme Board, attended by LGSS IT.</p>	2	4	8 (A)					

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
C3	Information security	1. Sensitive and/or personal data is sent to the incorrect recipient or not kept securely, or is lost 2. Data is emailed to insecure email addresses. 3. Lap top or memory stick containing data is lost or stolen. 4. Information is sent to incorrect addresses. 5. External malicious attack (hacking) 6. Hard copy data is lost or stolen	1. Fine up to £0.5 million 2. Reputational risk	EH-BRM&D	5	5	4	20 (R)	1. Regularly remind all managers, employees and members of their responsibilities for the use of and security of data. 2. Prohibit using mobile devices to store or process sensitive or personal data unless device is encrypted. 3. Encrypt lap tops and data sticks when they are used to store or process sensitive or personal data. 4. Proper disposal of confidential waste. 5. Updated IT User Security policy issued June 2013 to all staff and other people who access the councils systems (e.g. partners, contractors etc.) 6. The council has achieved public sector network (PSN) & payment card industry (PCI) compliance 7. The council has introduced a new ICT	3	4	12 (A)	Review IT user security policy	Systems support team leader	September 2014	April 2015	G

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
C4	Failure of major contractor or legal challenge following an unsuccessful tender bid	1. The council has a number of key contractors who may be vulnerable to market and economy factors. 2. In addition the number of legal challenges (and therefore injunctions preventing a contract award) is increasing due to the financial pressures and reducing workload 3. Key contractor goes into administration or an injunction is issued preventing the award of a new contract	1. Customer and staff complaints 2. Services not delivered 3. Contingency plans have to be invoked 4. Cost and time to retender contract 5. Cost and time to defend legal challenge 6. Additional unforeseen costs impact delivery of balanced outturn and reserve levels	EH-BRM&D	5	4	3	12 (A)	1. Monitor major contractors for warning signs and make any necessary contingency plans. Recently put into practice and contingency plans tested. 2. Ensure a robust procurement process is followed in accordance with the appropriate procurement regulations, NCC processes and best practice. 3. NPS JV extended to include works division. This arrangement will enable the JV to carry outwork that was previously contracted to private sector. This approach is in line with the Councils operating model. This will provide enhanced security over the supplier and increased direct control by the council. 4. Contingency budget and allowance for failures within the calculation of prudent minimum balance of reserves 5. More use of shared services reduces size and scope of contracts with private sector providers (eg ICT) 6. Increased use of framework contracts increases resilience against contractor failure.	3	3	9 (A)					
C5	Fraud and corruption	1. Poor internal controls lead to fraudulent acts against the council, resulting in losses. 2. Bribery Act 2010 came into force 1 July 2011 – lack of guidance or policies - council fails to prevent bribery 3. Failure in internal control. 4. Discovery of fraudulent acts. 5. Allegations received. 6. Member of staff or councillor breaks the law.	1. Loss of income or assets 2. Adverse public opinion 3. Effect on use of resources 4. Increased costs of external audit 5. Cost of investigation and rectifying weaknesses 6. Prison	CFO	5	3	3	9 (A)	1. Internal audit 2. Anti-fraud and corruption policy, 3. Payment Card Industry security assessment to protect card payments, 4. National Fraud Initiative, 5. Fraud team, 5. Whistleblowing policy and prosecution policy. 6. Review and update as necessary policies and procedures. 7. Assess risk of bribery, train staff and monitor and review procedures. 8. Robust procurement procedures, e-tendering portal and governance by the procurement team 9. Delegation procedures	2	3	6 (A)					

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
LEARNING AND GROWTH																	
D1	Industrial action	1. Changes to pension regulations and pay restraint and changes to terms and conditions could lead to industrial action by employees 2. National negotiating framework - failure to agree. 3. Ballot of union members. 4. Implementation of changes to the LGPS. 5. Implementation of government interventions on pay	1. Loss of key services 2. Public safety 3. Loss of income 4. Reputation	EH-SP&N	All	3	4	12 (A)	2 stages – managing the threat of industrial action and responding to industrial action 1. Identify and agree with UNISON exemptions from strike action 2. Identify and implement business continuity/contingency plans to maintain essential services and ensure statutory duties are met 3. CLT agree and implement strategy for response to strike action ie assessing the scale of the action, communications, response depending on nature of the action, wider industrial relations implications, deductions from pay etc 4. National and regional guidance 5. Statutory immunities – Trade Union Labour Relations (Consolidation) Act	2	3	6 (A)					

Council Priorities 2015-2020:

- 1. To make Norwich a safe, clean and low-carbon city
- 2. To make Norwich a prosperous and vibrant city
- 3. To make Norwich a fair city
- 4. To make Norwich a healthy city with good housing
- 5. To provide value for money services

Key to risk owners (above):	
EH-SP&N	Executive head of strategy, people & neighbourhoods
EH-BRM&D	Executive head of business relationship management & democracy
EH-CC&C	Executive head of customers, communications & culture
EH-R&D	Executive head of regeneration & development
CFO	Chief finance officer (s151)

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG

Norwich City Council

Summary of Residual Scores for Corporate Risks (all 17 are amber)

Impact	Very High	5					
	High	4		A2, A3, A4, C2	B4, C3		
	Medium	3		A5, A6, A8, B3, C5, D1	C4	B2, C1	B1
	Low	2			A1		
	Negligible	1					
			1	2	3	4	5
			Very rare	Unlikely	Possible	Likely	Very Likely
			Likelihood				

Red scores – in excess of the council's risk appetite (risk score 16 to 25) – action needed to redress, quarterly monitoring. In exceptional circumstances cabinet can approve a residual risk in excess of the risk appetite if it is agreed that it is impractical or impossible to reduce the risk level below 16. Such risks should be escalated through the management reporting line to CLT and cabinet.

Amber scores – likely to cause the council some difficulties (risk score 5 to 15) – quarterly monitoring

Green scores (risk score 1 to 4) – monitor as necessary

