

Audit committee

Date: Tuesday, 15 March 2016

Time: 16:30

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

Committee members:

Councillors:

Neale (chair)
Wright (vice chair)
Boswell
Bradford
Driver
Harris
Howard
Kendrick

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Agenda

	Page no
1 Rob Murray	
To ask members and officers to observe a minute's silence in remembrance of Rob Murray, external auditor.	
2 Apologies	
To receive apologies for absence	
3 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)	
4 Declarations 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)	
5 Minutes	5 - 8
To approve the accuracy of the minutes of the meeting held on 19 January 2016.	
6 Audit Plan 2015-16	9 - 30
Purpose - This report presents the annual audit plan 2015-16.	
7 Risk management report	31 - 46
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.	
8 Draft internal audit plan 2016-17	47 - 54
Purpose - This report provides the audit committee with an outline of the 2016-17 internal audit plan for Norwich City Council as attached at appendix 1.	

Date of publication: **Monday, 07 March 2016**



Audit committee

16:30 to 17:10

19 January 2016

Present: Councillors Neale (chair), Wright (vice chair), Bradford, Driver, Boswell, Harris, Howard and Kendrick

1. Public questions/petitions

There were no public questions or petitions received.

2. Declarations of interest

There were no declarations of interest.

3. Minutes

RESOLVED to approve the accuracy of the minutes of the meeting held on 17 September 2015 subject to item 4, Annual audit letter, second paragraph, second sentence, deleting “from its” and replacing with “and” so that the sentence reads as follows:

“He commented on the council’s approach to the future government funding and phasing out the New Homes Bonus and formula funding by 2019-20 and”

4. Certification of claims and returns annual report 2014-15

The chief finance officer and the external auditor presented the report.

During discussion the chief finance officer, together with the external auditor, referred to the report and answered members’ questions. Members welcomed that the external auditors’ fee for the housing benefits subsidy claim was less than in 2013-14 and that the additional fee had been kept low by some of the work being carried out by officers (LGSS) on behalf of the external auditors.

The committee noted that the external auditor had issued a qualification letter and that the Department of Works and Pensions (DWP) determine whether to require the council to carry out further work to quantify the error or claw back the benefit subsidy paid. The clawback for 2014-2015 would be £116,766. In reply to a member’s

question, the chief finance officer undertook to circulate the figures for the amount of subsidy paid back to the DWP in previous years.¹

The chair said that the error rate was very small given the turnover in the number of housing benefit claims processed by the revenues and benefits service (LGSS) on behalf of the council. He pointed out that it was only possible to extrapolate the figures from a test sample. The committee also noted that the processing of housing benefit claims for shift workers was more complicated and therefore increased the margin of error.

The vice chair noted that the annual certification report demonstrated a positive trajectory for the council.

RESOLVED to note the external auditor's Certification of claims and returns annual report 2014-2015

5. Internal audit 2015-2016 – November to December update

The internal audit manager (LGSS) presented the report. Referring to paragraph 13 of the report, the internal audit manager said that subject to the committee's agreement of the proposed changes, the revised audit plan should be agreed by the chief finance officer and the executive head of business relationship management and democracy.

The committee noted the moderate assurance given to the audit of garages and parking bays and the value of the income generated. It was noted that managers were not obliged to agree to all of internal audit's recommendations.

During discussion on the proposed changes to the audit plan, the internal audit manager, together with the head of internal audit and risk management (LGSS) and the chief finance officer, answered members' questions. The committee noted that "productive" time spent by the audit manager in attending and preparing for committee meetings would be included on the plan in future. The chief finance officer explained that the costs for implementing the finance and HR IT system had risen which meant that it was necessary to review alternative systems and talk to other councils before it could be progressed. It would be prioritised in 2016-17. The audit of the housing revenue account business plan and housing improvement plan would need to be remodelled to include the impact of high value voids.

Councillor Harris, as cabinet member for housing and wellbeing, agreed that there had been no point in carrying out the audit in 2015-16 as there would be "massive changes" to the plan. The internal audit manager explained that the audit of community infrastructure levy (CIL) expenditure would need to be scoped so as not to duplicate work done by the council's partners (Norfolk County Council, Broadland District Council and South Norfolk Council).

The committee then considered the fraud briefing which was attached to the report as appendix 2. The internal audit manager explained that the data for other councils

¹ 2012-13: £185,113 (recovered in February 2014); 2013-14: £258,486 (recovered in February and March 2015)

was included as a comparator and that the identity of these councils was not provided. Councils did not categorise fraud in a consistent way. The city council did not classify as fraud the cases where single person council tax discounts were found to be ineligible for the discount and cancelled as a result of the data matching exercise. Failure to inform the council could be considered as fraud but it would be difficult to collect sufficient evidence and recover the money. As shown on the table on page 35 (of the agenda document), the nil return showed that other councils had adopted the same approach as the city council.

RESOLVED to note:

- (1) the work of internal audit between November and December 2015;
- (2) the progress on the internal audit plan and agree the changes to the internal audit plan as set out in the report;
- (3) the latest counter fraud developments.

6. Local Government Audit Committee Briefing

RESOLVED to receive the briefing note provided by the councils' external auditors.

CHAIR

Report to Audit committee
15 March 2016
Report of Chief finance officer
Subject Audit Plan 2015- 16

Item

6

Purpose

This report presents the annual audit plan 2015-16.

Recommendation

To:

- (1) review the attached report from the council's external auditor; and
- (2) consider and agree the approach and scope of the external audit as proposed in the audit plan.

Corporate and service priorities

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

Financial implications

There are no direct financial implications arising from this report.

Ward/s: All wards

Cabinet member: Councillor Stonard, resources and income generation

Contact officers

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Philippa Dransfield. Chief accountant 01603 212562

Report

Background

1. This report sets out the external auditors' proposed approach to their work for the 2015-16 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 financial statement risks to the council's financial statements for 2015 -16 (section 2 of the audit plan);
 - (b) The proposed audit process and strategy as set out in Section 4 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 4.2); 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 4.7).

Norwich City Council

Year ending 31 March 2016

Audit Plan

15 March 2016

Ernst & Young LLP



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

15 March 2016

Dear Committee Members

2015/16 – External Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2015/16 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

We welcome the opportunity to discuss this Audit Plan with you on 15 March 2016 and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mark Hodgson
Executive Director
For and behalf of Ernst & Young LLP
Enc

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the [PSAA website \(www.psa.co.uk\)](http://www.psa.co.uk)

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

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit 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

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

- ▶ Our audit opinion on whether the financial statements of Norwich City Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended; and
- ▶ Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness;

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

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

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

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

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

In section 2 and 3 of this report we provide more detail on the areas which we believe present significant risk to the financial statements audit, and outline our plans to address these risks. Details of our audit process and strategy are set out in section 4.

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 2016.

2. Financial statement risks

We outline below our current 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 valuation (fixed assets)	
<p>We have commented in previous years on weaknesses in the spreadsheets used as a fixed asset register. The Council have continued to use these spreadsheets during 2015/16.</p> <p>The register is difficult to use and does not produce quality management information. This has contributed to errors and increased audit testing of valuations 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 contain material misstatements.</p> <p>The valuation risk is increased with the prospective application of IFRS13 Fair Value Measurement from 1 April 2015. This is likely to have the largest impact on the Council's investment property portfolio where asset valuations need to be reviewed to ensure they are based on best use.</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 ▶ Testing the accounting treatment of valuations made in the year, including the assessment and treatment of impairments, and ▶ Reviewing and testing the Council's application of IFRS13 to ensure the fair value of relevant assets is based on economic best interest.
Pension valuations and disclosures	
<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.</p> <p>The information disclosed is based on the IAS19 report issued to the Council by the actuaries to the Norfolk Pension Fund.</p> <p>As part of their actuarial review, councils are being asked to make additional payments to the pensions scheme to fund deficits.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Liaising with the auditors of the Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Norwich City Council ▶ Assessing the conclusions drawn on the work of the actuary by the Consulting Actuary commissioned by Public Sector Auditor Appointments, PwC, and ▶ Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
Risk of fraud in revenue recognition	
<p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>We have rebutted this risk for the Council's income and expenditure streams except for 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"> ▶ Review and test revenue and expenditure recognition policies ▶ Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias ▶ Develop a testing strategy to test material revenue and expenditure streams ▶ Review and test revenue cut-off at the period end date, and ▶ Test the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure.

Significant risks (including fraud risks)	Our audit approach
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>We have assessed journal amendments, accounting estimates (including the provision for Business Rate appeals) and unusual transactions as the area's most open to manipulation.</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, and ▶ Evaluating the business rationale for significant unusual transactions.
Other financial statement risks	
Assessment of the group boundary	
<p>The Council has set up a new company during 2015/16. The Regeneration Company Limited is an incorporated company wholly owned by Norwich City Council.</p> <p>The nature of this arrangement will need to be assessed to determine whether the company should be consolidated into the Council's financial statements.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Review the relationship with the new company to assess where overall control lies with regard to the operation and delivery of services ▶ Review the assessment of materiality, and ▶ Ensure appropriate consolidation procedures are applied if the company is consolidated into the Council's financial statements.
Existence of plant and equipment assets	
<p>The Council had vehicle and equipment assets of £26.7 million at 31 March 2015. These assets tend to be more mobile and generally have a shorter useful life. The weaknesses in the fixed asset system result in increased risk that assets recorded on the balance sheet are no longer used or owned by the Council.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Reviewing the Council's controls concerning asset verification, and ▶ Carrying out testing of assets for continuing existence.

2.1 Responsibilities in respect of 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 risks.

3. Value for money risks

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. For 2015/16 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

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

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

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following significant VFM risks which we view as relevant to our value for money conclusion.

Significant value for money risks

Our audit approach

Sustainable resource deployment: Achievement of savings needed over the medium term

The medium term financial strategy includes a £4.6 million budget gap for 2017/18 and 2018/19, this is on top of £3.7 million transformation savings/income to be delivered in in the 2016/17 budget.

Although the Council has assessed the savings/income for 2016/17, there remains a risk that they are not achievable at the planned level. In addition, further savings or increased income need to be identified to close the funding shortfall in 2017/18 and 2018/19.

Our approach will focus on:

- ▶ The adequacy of the Council’s budget monitoring process, comparing budget to outturn.
- ▶ The robustness of any assumptions used in medium term planning.
- ▶ The Council’s approach to prioritising resources whilst maintaining services.
- ▶ The savings plans in place, and assessing the likelihood of whether these plans can provide the Council with the required savings/efficiencies over the medium term.

<p>The Council have assessed that the impact of legislation on HRA rent levels would require the Council to borrow above its borrowing cap. The Council also anticipates that further changes in the Housing and Planning Bill 2015/16 would increase right to buys and reduce housing stock.</p> <p>The HRA Business Plan needs to be re-worked to reflect the impact of the proposed changes and options developed to mitigate the impact of a determination and maintain HRA borrowing below the cap.</p>	<p>We will review the Council's impact assessment and the actions taken to set a sustainable HRA plan. This will the robustness of any assumptions used in medium term planning.</p>
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4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice 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 an audit report that covers:

1. Financial statement audit

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

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

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

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

4.2 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 specialists

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

Area	Specialists
Property, Plant and Equipment, and Investment Properties	Management expert – valuation specialists (Norfolk Property Services)
Pension valuations and disclosures	Management expert – actuarial specialists to the Norfolk Pension Fund (Hymans Robertson)

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

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

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

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (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;
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual [Governance Statement](#)
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 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 £3.6 million based on 2% of gross expenditure on provision of services. We will communicate uncorrected audit misstatements greater than £180,852 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.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of Norwich City Council is £79,914.

4.6 Your audit team

The engagement team is led by Mark Hodgson, who has significant experience on Local Authorities. Mark is supported by David Riglar who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money 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 2016. These dates are determined to ensure our alignment with PSAA'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 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 2015	July 2015	Audit Fee Letter Progress Report
Risk assessment and setting of scopes	February 2016	March 2016	Audit Plan
Testing routine processes and controls	February 2016	March 2016	Progress Report
Year-end audit	July to September 2016		
Completion of audit	September 2016	September 2016	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 2016	November 2016	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.

5. Independence

5.1 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 PSAA Terms of Appointment 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 and analysed in appropriate categories.

5.2 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 PSAA Terms of Appointment.

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

A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to 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.

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 Norwich City Council, Mark Hodgson, the audit engagement Director and the audit engagement team have not been compromised.

5.3 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 June 2015 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16 £	Scale fee 2015/16 £	Outturn fee 2014/15 £	Explanation
Opinion Audit and VFM Conclusion	79,914	79,914	106,552	For the 2015/16 financial year the Audit Commission set the scale fee for each audited body prior to its closure. The scale fee is based on the fee initially set in the Audit Commission's 2012 procurement exercise, reduced by 25% following the further tendering of contracts in March 2014.
Certification of claims and returns ¹	35,780	35,780	39,759	

All fees exclude VAT.

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

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The operating effectiveness of the internal controls for the key processes outlined in section 4.2 above;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

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

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

¹ Our fee for the certification of grant claims is based on the indicative scale fee set by the PSAA.

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
<p>Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.</p>	▶ Audit Plan
<p>Significant findings from the audit</p> <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
<p>Misstatements</p> <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
<p>Fraud</p> <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
<p>Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <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
<p>External confirmations</p> <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
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	▶ Report to those charged with governance

Required communication	Reference
<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 	<ul style="list-style-type: none"> ▶ Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary.

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Report to Audit committee
15 March 2016
Report of Head of internal audit and risk management, LGSS
Subject Risk management report

Item

7

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 for value for money services.

Financial implications

None

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and income generation

Contact officers

Neil Hunter, head of internal audit and risk management, LGSS 01223 715317

Steve Dowson, internal audit manager, LGSS 01603 212575

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. The corporate risk register was previously reported to audit committee on 17 November 2015 and cabinet on 13 January 2016.

Review of corporate risks

4. 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 planned actions to further mitigate risks are also shown.
5. As required by the risk management strategy, on 24 February 2016 the corporate leadership team (CLT) carried out its regular review of the key risks to achieving the council's priorities and has updated the corporate risk register.

Corporate risk register

6. The updated risk register with tracked changes in red is attached at **appendix 1**.
7. The first point to note is that the residual risk score of 20 for risk B1, public sector funding, remains above the council's risk appetite (maximum 15). This was approved by cabinet on 8 July 2015, and given the uncertainties around future grant and business rates income it is CLT's view that this should remain as a 'red' risk. Further details of these risks were included in the reports presented to the budget meeting of the Council on 23 February 2016.
8. The main changes to the risk register are as follows:
9. Risk A2, delivery of the corporate plan – as reported to Council, an action has been added to show that the corporate plan will be reviewed within the next six months.
10. Risk A8, housing investment strategy – the risk description, causes and effects have been further amended to reflect recent developments in welfare and housing legislation and having to pay an annual determination which will impact significantly on the levels of funding available for stock investment and improvement. For these reasons the inherent risk score has been increased from 12 to 25 (amber to red) and the residual score has increased from 9 to 15 (still amber).
11. Risk B1, public sector funding – as referred to above, uncertainties over central government financing, such as new homes bonus and changes to housing finance within the Housing and Planning Bill, have been added to the 'Caused by' column, plus the requirement to sell off housing stock to fund determination has been added to the 'Effect' column.

12. Risk B4, capital developments – cause and effects have been updated to reflect that asset sales may not be sufficient to fund major repairs, putting pressure on capital budgets. Some key controls have also been reworded and brought up to date.
13. Risk C1, emergency planning and business continuity – action added to show that a report on business continuity will be considered by CLT on 2 March 2016
14. Risk C3, information security – further key controls have been added.

Corporate residual risk map

15. An updated risk map is included at **appendix 2** which shows the residual risk level for each of the risks. This gives a quick view of 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.
16. As mentioned above the residual risk score for B1, public sector funding, remains above the council's level for risk appetite. All other residual risk scores are amber.

Conclusion

17. Risk management review processes are well embedded within the council, and members can be assured that the corporate risk register is up to date following review by CLT of the key risks to achieving the council's objectives.

CORPORATE RISK REGISTER

Version Date: February 2016

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 reduction scheme; universal credit	1. Unable to cope with demand 2. Complaints 3. Reputation damage 4. Increased homelessness risk to housing	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 4. Customer centre redesign	3	2	6 (A)	1. Customer service improvement plan for F2F service - Phase 1 2. 'Self-serve' website refresh, incl. interactive forms, housing repairs, diagnostics, customer portal. Also full functionality on mobile devices.	Head of customer services Head of customer services	March 2016 February-2016 Complete - new website went live 24 February 2016		G G
A2	Delivery of the corporate plan and key supporting policies and strategies within the council's strategic framework	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, housing strategy etc Policy from the new government will be further 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 very 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. Adverse public opinion 3. Projects / work completed to a lower quality 4. Negative impact on outcomes for citizens 5. Negative performance ratings for the council 6. Continual over-stretching of capacity	CEO	All	4	4	16 (R)	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 government policy. 5. Effective transformation programme to ensure savings are delivered.	2	4	8 (A)	The corporate plan will be reviewed during 2016-17	CEO	Sep-16		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	
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.</p> <p>The council also has a number of key contracts and partnerships —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. 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 have been reviewed and staffing structures refreshed to reflect this change.</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. Internal audit has reviewed arrangements to ensure that robust governance by client managers is in place for LGSS, nplaw, NPS Norwich, Norwich Norse (Environmental) and Norse Environmental Waste Service. Reported to CLT in April 2015 - result was 'substantial' assurance opinion.</p> <p>5. Regular reviews of joint ventures</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	<p>1. Safeguarding and equalities duties and responsibilities not embedded throughout the council and its contractors/ commissioned services/ partners.</p> <p>2. Continued change in council service delivery model with an increase in the number of partnership arrangements is likely to require new arrangements for the delivery of safeguarding and equalities duties.</p> <p>3. Impact of cuts on care services and benefit funding.</p> <p>4. Critical incident</p> <p>5. Change in contractor/ commissioned service/partner</p> <p>6. Reduced service provision</p> <p>7. Not being able to attract staff with diverse abilities and backgrounds</p> <p>8. Reviews of safeguarding at Norfolk County Council found a number of significant issues, which increases the risks for partner organisations</p>	<p>1. Vulnerable adults and children at greater risk of exclusion or harm</p> <p>2. Individuals from a community of identity dealt with inappropriately and at risk of exclusion</p> <p>3. Risk of judicial review on accessibility of services</p> <p>4. Risk of damage to reputation if an employee discrimination claim is made based on equalities legislation</p> <p>5. NCC's reliance on systems at Norfolk and impact on Norwich City Council if these are inadequate</p>	EH-N	All	3	4	12 (A)	<p>1. Safeguarding children policy and procedures in place and reviewed annually through safeguarding group.</p> <p>2. Safeguarding adult policy and procedures in place and reviewed annually.</p> <p>3. Safeguarding duties included in new contracts to ensure duties are embedded with new contractors. Where appropriate, joint training/ awareness sessions are held.</p> <p>4. Equalities duties overseen by BMG</p> <p>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</p> <p>6. Equality training undertaken for all staff and managers</p> <p>7. Managing mental health training for managers</p> <p>8. Safeguarding training provided to all staff.</p> <p>9. Safeguarding guidance provided to all councillors</p> <p>10. External reviews of the council's approach</p> <p>11. Annual self-assessments against Sec.11 of Children Act 2014, then challenge session with chair of Norfolk Safeguarding Children Board (NSCB). Confirmed that NCC is playing its part in the NSCB and is alert to its duties and responsibilities.</p> <p>12. NCC plays full part in Norfolk Public Protection Forum</p> <p>13. NCC chief executive chairs Community Safety Partnership linking to domestic abuse across the county</p> <p>14. Constantly monitoring outcomes from serious case reviews (children adult and domestic abuse) and ensure any recommendations are actioned.</p>	2	4	8 (A)	<p>1. 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.</p> <p>2. Training for all staff being reviewed to ensure it is relevant to job roles and reflects emerging safeguarding issues and priorities.</p> <p>3. Action plan developed to ensure continual improvement against Sec 11 of the Children Act 2014 - progress will be reported to a future cabinet</p>	Head of local neighbourhood services	Jul-14	Complete for 'Platinum' contractors; currently reviewing 'Gold' contractors	G
												Head of local neighbourhood services	From Oct-15 onwards			G	
												Head of local neighbourhood services	Jan-16	Jul-16		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
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. Markets failing to deliver on preferred development sites identified for housing 2. Changing 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). 3. Failure to deliver the infrastructure required to support development 4. 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 or the number of commercial premises in the City reduce.	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 agreed policy framework. 3. All policy work is supported by comprehensive and up-to-date evidence in accordance with government guidelines. 4. Greater Norwich Growth Board responsible for ensuring funding is available for investment in infrastructure to support growth.	3	3	9 (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
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 is currently planned to 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. However, recent developments in welfare and housing legislation require rent reductions and the prospect of paying an annual determination which will impact significantly on the levels of funding available for stock investment and improvement.	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. 1. Reduction in rental income arising from: • compulsory 1% reduction in social housing rent for next four years wef April 2016 • higher level of council house sales due to improved incentives • increasing debt or other factors 2. Impact of determination to fund RTB for Registered Providers 3. Significant increase in the cost of delivering improvement works 4. Failure to deliver by contractors	1. Failure to deliver the Norwich Standard within the expected timescale 2. Lack of resources to be able to maintain the Norwich Standard. 3. Lack of resources to support a new build programme. 4. Requirement to sell off stock to fund determination 5. Reduced tenant satisfaction 6. Need to reprogramme the housing investment plan	EH-N	4	4 5	3 5	12 (A) 25 (R)	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.	3 5	3	9 (A) 15 (A)	Review housing investment plan	EH-N CFO	Feb-16		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
FINANCE AND RESOURCES																	
B1	Public sector funding	<p>1. Further economic decline.</p> <p>2. Change in national government policy as a result of the economic position</p> <p>3. New policies and regulations place a major financial burden on the council</p> <p>4. Effects of funding cuts on major partners despite increased referrals, eg health and social care, may result in increased costs for the council</p> <p>5. Uncertainties over central government financing, eg new homes bonus; changes to housing finance within the Housing and Planning Bill</p>	<p>1. Major reduction in public sector funding, including consequences of changes in funding arrangements for other bodies.</p> <p>2. Impact on balancing the budget – significant change and financial savings required.</p> <p>3. Unable to make saving within the required timescales</p> <p>4. Requirement to sell off housing stock to fund determination.</p> <p>5. Erosion of reserves</p> <p>6. Major financial problems</p> <p>7. Reputation damage</p> <p>8. Possible industrial action</p> <p>9. Changes become “knee jerk”</p> <p>10. Govt intervention</p> <p>11. Council loses critical mass in key areas</p> <p>12. Service failures</p> <p>13. Potential disproportionate impact on the poorest and most vulnerable members of society</p>	CFO	All	5	5	25 (R)	<p>1. Comprehensive 5-year transformation programme based on minimum resource allocation and robust benefit realisation.</p> <p>2. Medium Term Financial Strategy incl. reserves policy, financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated.</p> <p>3. HRA business plan.</p> <p>4. Weekly review by CLT of government announcements to assess implications and response required.</p> <p>5. Keep service design under review</p> <p>6. Continual review of financial position by the council and major partners</p>	5	4	20 (R)					
B2	Income generation	<p>1. Further economic decline.</p> <p>2. Under-utilisation of assets</p> <p>3. CIL (community infrastructure levy) income is below expectations.</p> <p>4. Collapse in world markets leading to loss of income</p> <p>5. Low economic growth or recession reduces income</p> <p>6. Other triggers:</p> <p>a) Bethel St Police Station – market value payment</p> <p>b) Triennial pensions review.</p> <p>c) VAT partial exemption.</p> <p>d) Variable energy prices.</p> <p>e) Increasing voids due to market and economy factors.</p> <p>f) Loss of major tenant.</p> <p>g) GNGP board decision or cabinet decision on CIL investment arrangements.</p> <p>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.</p> <p>i) Lack of experience in some services for generating income</p>	<p>1. Inability to raise capital receipts</p> <p>2. Impact on balancing the budget – significant change and financial savings required.</p> <p>3. Decline in income streams (eg rents from investment properties) – insufficient funds to maintain current service levels</p> <p>4. Unable to make saving within the required timescales</p> <p>5. Erosion of reserves</p> <p>6. Major financial problems</p> <p>7. Reputation damage</p> <p>8. Govt intervention</p> <p>9. Council loses critical mass in key areas</p> <p>10. Service failures</p> <p>11. Potential disproportionate impact on the poorest and most vulnerable members of society</p> <p>12. Damage/costs across void portfolio</p> <p>13. Essential infrastructure to deliver growth in the GNGP area is delayed.</p>	CFO	All	5	4	20 (R)	<p>1. Comprehensive 5-year transformation programme based on minimum resource allocation, maximisation of income generation and robust benefit realisation.</p> <p>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.</p> <p>3. HRA business plan kept under review.</p> <p>4. GNGP 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.</p> <p>5. Clear strategy for investment</p> <p>6. Commercial skills training provided to all Heads of Service</p> <p>7. Element of CIL programme controlled by Norwich prioritised and caution taken to ensure spend not incurred until monies certain to be received.</p>	4	3	12 (A)	Independent review of income generating opportunities	CFO	Feb-16		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
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. 5. Asset sales may not be sufficient to fund major repairs	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 capital 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-reporting quarterly to CLT 4. Business cases for individual investments and continual review of investments 5. Balanced risk profile 6. Business plan for new housing development company approved by cabinet. 7. Housing company's own risk register	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	Emergency planning and business continuity (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)	Occurrence of a significant event: <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 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.	<ol style="list-style-type: none"> Service disruption and inability to deliver services Disruption of the delivery of goods and services to the council Increased requests for council resources and services Health and safety impact on staff and vulnerable residents Damage to council property and impact on tenants Reputation damage Years to recover 	EH-BRM&D	All	4	4	16 (R)	<ol style="list-style-type: none"> The council is a member of the Norfolk Resilience Forum, which has produced a Norfolk Community Risk Register 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. 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. Flu pandemic plan. 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, together with service plans. A new business continuity management policy and framework was approved by cabinet 25 June 2014. A business impact analysis for each service is signed off by the head of service and executive head of service. Business continuity steering group chaired by the EH-BRM&D. Overall business continuity plan reviewed by CLT. 	4	3	12 (A)	The emergency planning manager will present a report on business continuity to CLT on 2 March 2016. If agreed, there will be further actions arising from the report	EH-BRM&D	Mar-16		G
C2	ICT strategy. The council has transferred its ICT service to LGSS. The ICT Programme Board works alongside LGSS to keep up to date the ICT strategy for the council	ICT strategy fails to support the organisation moving forward and the blueprint for a new council	<ol style="list-style-type: none"> Incoherent approach to ICT systems Systems not customer friendly Systems are not integrated with one another Drain on resources as staff work around the systems Lack of accuracy in key data Data are unreliable Key information not trusted Hinders management and service improvements Failure to deliver council priorities 	EH-BRM&D	All	3	4	12 (A)	<ol style="list-style-type: none"> NCC has developed an ICT strategic direction document detailing the key areas where ICT is required to support business objectives and change. Management of the LGSS relationship will seek to ensure that NCC requirements are delivered. The council has an ICT Programme Board, attended by LGSS IT. 	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
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. Potential harm to data subjects through loss, release or corruption of personal data 3. 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 April 2015 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 an ICT programme board, attended by LGSS IT. 8. Corporate information assurance group 9. Annual security report from LGSS IT 10. Information risk policy and risk assessment 11. Business continuity and disaster recovery arrangements 12. Incident response plan and lessons learned	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	
C4	Failure of major contractor or legal challenge following an unsuccessful tender bid	<p>1. The council has a number of key contractors who may be vulnerable to market and economy factors.</p> <p>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</p> <p>3. Key contractor goes into administration or an injunction is issued preventing the award of a new contract</p>	<p>1. Customer and staff complaints</p> <p>2. Services not delivered</p> <p>3. Contingency plans have to be invoked</p> <p>4. Cost and time to retender contract</p> <p>5. Cost and time to defend legal challenge</p> <p>6. Additional unforeseen costs impact delivery of balanced outturn and reserve levels</p>	EH-BRM&D	5	4	3	12 (A)	<p>1. Monitor major contractors for warning signs and make any necessary contingency plans. Recently put into practice and contingency plans tested.</p> <p>2. Ensure a robust procurement process is followed in accordance with the appropriate procurement regulations, NCC processes and best practice.</p> <p>3. NPS JV extended to include works division. This arrangement enables the JV to carry out work that was previously contracted to private sector. This approach is in line with the Council's operating model. This provides enhanced security over the supplier and increased direct control by the council.</p> <p>4. Contingency budget and allowance for failures within the calculation of prudent minimum balance of reserves</p> <p>5. More use of shared services reduces size and scope of contracts with private sector providers (eg ICT)</p> <p>6. Increased use of framework contracts increases resilience against contractor failure.</p>	3	3	9 (A)						
C5	Fraud and corruption	<p>1. Poor internal controls lead to fraudulent acts against the council, resulting in losses.</p> <p>2. Bribery Act 2010 came into force 1 July 2011 – lack of guidance or policies - council fails to prevent bribery</p> <p>3. Failure in internal control.</p> <p>4. Discovery of fraudulent acts.</p> <p>5. Allegations received.</p> <p>6. Member of staff or councillor breaks the law.</p>	<p>1. Loss of income or assets</p> <p>2. Adverse public opinion</p> <p>3. Effect on use of resources</p> <p>4. Increased costs of external audit</p> <p>5. Cost of investigation and rectifying weaknesses</p> <p>6. Prison</p>	CFO	5	3	3	9 (A)	<p>1. Internal audit</p> <p>2. Anti-fraud and corruption policy,</p> <p>3. Payment Card Industry security assessment to protect card payments,</p> <p>4. National Fraud Initiative,</p> <p>5. Whistleblowing policy</p> <p>6. Review and update as necessary policies and procedures.</p> <p>7. Assess risk of bribery, train staff and monitor and review procedures.</p> <p>8. Robust procurement procedures, e-tendering portal and governance by the procurement team</p> <p>9. Delegation procedures</p>	2	3	6 (A)	Review needed of anti-fraud, whistleblowing and anti-bribery policies,	Chief finance officer	Sep-15	Mar-16	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
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-BRM&D	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 6. Well embedded business continuity and industrial action plans	3	2	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):

CEO	Chief executive officer
EH-N	Interim executive head of 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)

Norwich City Council

Summary of Residual Scores for Corporate Risks (one red, 16 amber) as at February 2016

Impact	Very High	5					
	High	4		A2, A3, A4, C2	B4, C3		B1
	Medium	3		A5, B3, C5,	A6, C4	B2, C1	A8
	Low	2			A1, D1		
	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

Report to Audit committee
15 March 2016
Report of Head of internal audit and risk management, LGSS
Subject Draft internal audit plan for Norwich City Council 2016-17

Item

8

Purpose

This report provides the audit committee with an outline of the 2016-17 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 2016-17

Corporate and service priorities

The report helps to meet the corporate priority for value for money services

Financial implications

None directly

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and income generation

Contact officers

Neil Hunter, head of internal audit & risk management, 01223 715317
LGSS

Background documents

None

Report

Background

1. CIPFA and the Chartered Institute of Internal Auditors launched a common set of Public Sector Internal Audit Standards (PSIAS) in April 2013. The PSIAS set out the standard for internal audit across the public sector.
2. The principles in the PSIAS are consistent with the previous CIPFA code of practice for internal audit which applied across local government. They include the need for risk-based plans to be developed for internal audit and for plans to receive input from management and the 'Board'; for the purposes of the key duties laid out in the PSIAS, the audit committee is effectively the 'Board' for the council.
3. Under the Local Government Act, the council's Section 151 officer is responsible for ensuring that there are arrangements in place for the proper administration of the authority's financial affairs. The work of internal audit is therefore directly relevant to these responsibilities.

Audit planning

4. PSIAS Performance Standard 2010 – Planning states that:
“The Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals.”
5. The standards refer to the need for the risk-based plan to consider the organisation's risk management framework, and to take into account the requirement to produce an annual internal audit opinion and the assurance framework.
6. Within the council, the Chief Audit Executive is the head of internal audit, for the purposes of the PSIAS. Performance Standard 2450 – Overall Opinions states that:
“The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control.”
7. The risk-based plan therefore needs to include an appropriate and comprehensive range of work which is sufficiently robust to confirm that all assurances provided as part of the system of internal audit can be relied upon by the audit committee. The head of internal audit will ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the internal audit plan.

The planning process

8. The plan is based on assurance blocks that each provides an opinion over key elements of the control environment, targeted towards in-year risks, rather than a more traditional cyclical approach examining each system over a number of years. For each assurance block, the most appropriate level of coverage necessary to provide an effective annual assurance opinion and added value to the organisation has been developed.
9. The audit plan is intended to remain dynamic in nature and will be reviewed and re-aligned on a regular basis to take account of new, emerging and changing risks and priorities. Resources will then be re-prioritised towards the areas of highest risk. The audit plan will be reported to audit committee every quarter, and should be reviewed and robustly challenged by the corporate leadership team (CLT), the S151 officer (chief finance officer) and the audit committee.
10. In order to develop the audit plan, there must be a sound understanding of the risks facing the council. The internal audit risk assessment of the authority is updated during the year and used to form the basis of the internal audit plan, alongside the corporate risk register. Internal audit has also engaged with members of senior management to ensure that known and emerging risks are considered in annual audit planning.

The annual internal audit plan

11. The internal audit plan for the next year must be sufficiently flexible to enable assurance to be obtained over current risk areas, as well as emerging risks, and those risks which are yet to be identified. This is particularly relevant as we move into 2016-17, with the council continuing to evolve in the face of ongoing financial challenges.
12. Inevitably, the potential for risks is increased during periods of change. For instance, reductions or high levels of turnover in the workforce provide an opportunity for controls to break down – as well as an opportunity to consider new and more efficient ways of organising people, systems and processes, without adversely impacting internal control. To reflect this risk, the audit plan contains an allocation of time for advice and guidance. Reviews of the key financial systems and pro-active anti-fraud and compliance audits will provide assurance that the basic governance and control arrangements are continuing to operate effectively, minimising the risks of misappropriation, loss and error.
13. The audit plan reflects the environment in which public sector audit operates, recognising that this has changed considerably over the past few years with more focus on, for example, better assurance, safeguarding and making every penny count. The planned audit coverage is intended to ensure stakeholders receive a valuable assurance and that the audit service tangibly adds value to the organisation.
14. Maintaining an audit plan which is dynamic, challenging and prioritised based on the organisation's risks is not a new concept; however, in the current environment it is ever more critical if internal audit is to help the council to respond effectively to the scale of change required in 2016-17 and beyond.

How assurance can be given

15. As detailed above, the plan is split into both assurance blocks and directorate areas for ease of understanding as well as to demonstrate how assurance on the organisation's control environment can be given. There are a number of key audit themes:
- (a) **Key financial systems:** This is the traditional area of internal audit work, required by external audit, and very much focuses on providing the Section 151 officer assurance that "the council has made arrangements for the proper administration of its financial affairs." These systems are agreed in advance with external audit and are used as the basis by which external audit are able to place reliance on internal audit work. These are generally the systems that have the highest financial risk. These reviews also give an opinion as to the effectiveness of financial management procedures and the arrangements to ensure the integrity of accounts.
 - (b) **Policies & Procedures:** Effective policies and procedures drive the culture and risk appetite of the organisation and ensure key control principles are captured. A number of policies and procedures will be reviewed to ensure these are: up to date; fit for purpose; effectively communicated; routinely complied with across the organisation; monitored and routinely improved. Each audit undertaken should similarly review the current policies and procedures in the area being covered.
 - (c) **Compliance:** Compliance work is fundamental as it provides assurance across all service areas and therefore supports the Head of Internal Audit opinion on the control environment. The proposed coverage for compliance is underpinned by an assessment of the Council's framework of controls (informed by policies and procedures) and includes those core areas where a high level of compliance is necessary for the organisation to carry out its functions properly. The work involves compliance checks across the organisation to provide assurance on whether the critical controls within the key policies and procedures are being routinely complied with in practice. This work will continue to challenge the existing controls to ensure that they are modern, effective and proportionate.
 - (d) **Making every penny count:** This assurance block incorporates the on-going work on initiatives to promote the value of making every penny count across the organisation. Although each audit we undertake should have value for money at its core, the team will be suggesting areas where this work can be expanded.
 - (e) **Commissioning and contracts:** Within this assurance block, a number of days have been included for capital and current contract reviews. The first stage will be to agree the higher risk contracts for review and will incorporate open-book assurance where required to ensure that these are operating in accordance with the terms of the contracts. Work to examine the commissioning process as a whole is also included in this assurance block.
 - (f) **Anti-fraud and corruption:** This is a high-risk area across the public sector. This includes both reactive and pro-active elements, along with initiatives to raise awareness of the council's anti- fraud and corruption culture and to report on the arrangements in place. In accordance with the council's agreed savings for LGSS

no time has been allocated for this work in the 2016-17 plan but instead it has been agreed that any such work will be taken on a risk and reward basis with pieces of work agreed on an individual basis and expected to cover costs by savings generated.

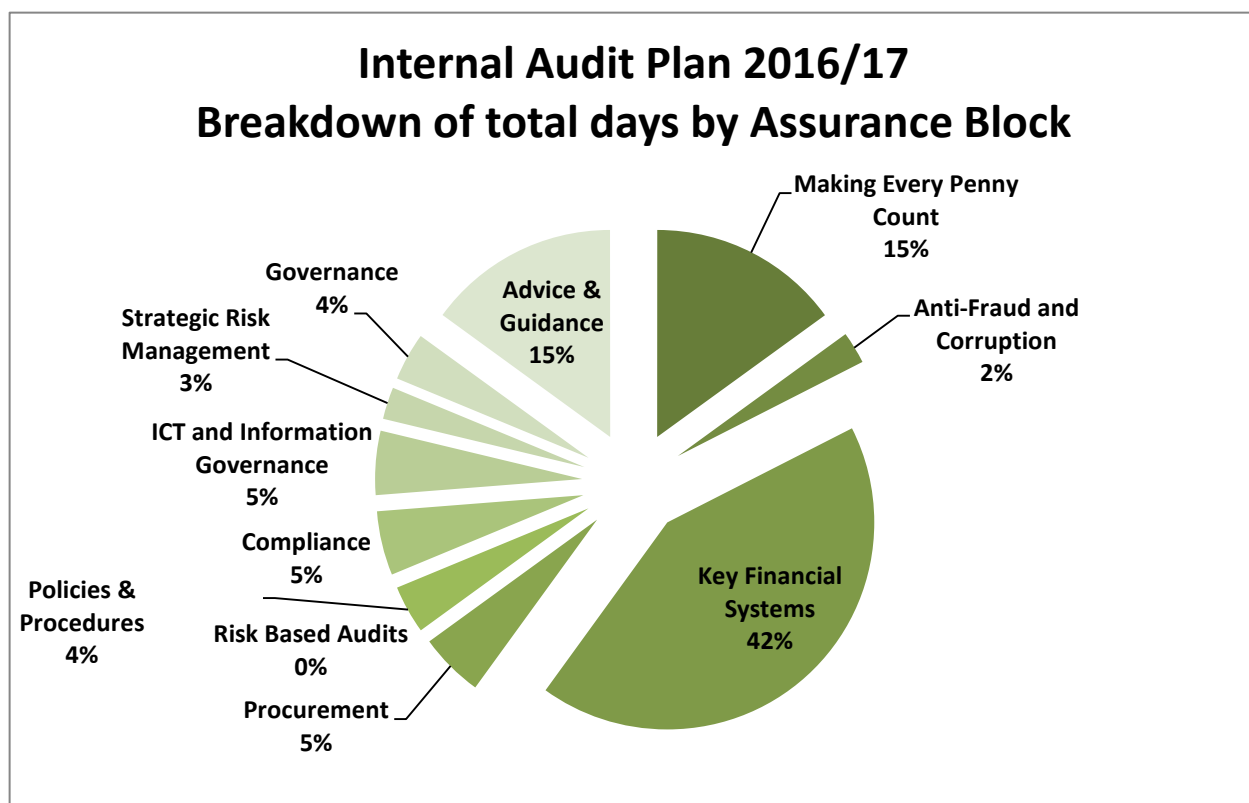
(g) **ICT and information governance:** The ICT assurance block includes reviews of key ICT risk areas – major ICT failure and ICT strategy. It also includes an allocation of time for the review of general computer controls to provide assurance that systems are correctly processing information accurately and on a timely basis. The assurance block also incorporates time for reviews of key risk areas around information governance and information security.

Plan summary and resources

16. In summary, the audit plan maintains a focus on risk-based and compliance audits as well as providing assurance on key financial systems. This reflects the need to focus on the management of emerging risks and to ensure the continued operation of key controls within the council’s governance arrangements, systems and processes. In order to contribute to the council’s efficiency agenda, there is also a continued need to allocate time to anti-fraud work and value for money reviews.

17. The audit plan has been agreed as 400 days. The impact of this reduction will be minimised through ongoing risk assessment work to ensure that resources are targeted to the highest-priority areas.

18. The proposed approximate split of time across the 2016-17 audit plan is as follows:



Conclusion

19. The 2016-17 Audit Plan has used a risk-based approach to prioritising internal audit work and includes sufficient coverage to ensure an evidence-based assurance opinion on the control environment can be provided at the end of the year.
20. The plan is responsive in nature and all efforts will be made to maximise coverage to provide the most effective and agile internal audit service possible that focuses on key risks facing the organisation throughout the year.
21. Progress against the plan will be monitored throughout the year and key issues reported to CLT and the audit committee each quarter.
22. The draft internal audit plan 2016-17 is appended to this report.

Draft Internal Audit Plan 2016/17					
Audit	2016/17 Days	2017/18 Days	Assurance Block	Directorate	Why?
Making Every Penny Count (Reviews)					
Making Every Penny Count - Strategy	20	0	Making Every Penny Count	Cross-Cutting	Review focusing on: how officers are encouraged to drive for best value; and how this agenda is set and communicated at a strategic level.
Business Planning Benefits Realisation	10	0	Making Every Penny Count	Cross-Cutting	A review of General Fund business planning with a focus on: monitoring of savings; and benefits realisation.
HRA Business Planning	20	0	Making Every Penny Count	Cross-Cutting	A review of HRA business planning with a focus on spending to maintain and improve the housing stock.
Traded Services - Cost Recovery	0	20	Making Every Penny Count	Cross-Cutting	Review of traded services with a focus on: development of robust Business Cases for new traded services; and ensuring that services are recovering costs appropriately.
Making Every Penny Count (Compliance)					
VAT	0	20	Making Every Penny Count	Cross-Cutting	Review of compliance with VAT legislation, to provide assurance that the Council is able to fully offset expenditure on input VAT.
Overtime	0	0	Making Every Penny Count	Cross-Cutting	Review of compliance with overtime policies, with a focus on identifying areas of high expenditure, and any changes to policies which may benefit the Council. Possible for 2018/19
Travel & Subsistence	10	10	Making Every Penny Count	Cross-Cutting	Review of compliance with travel and subsistence policies, with a focus on identifying areas of high expenditure, and any changes to policies which may benefit the Council.
Total Making Every Penny Count:	60	50			
Anti-Fraud and Corruption					
Proactive Fraud Work					
Preventative & Pro-Active Fraud Work	0	0	Anti-Fraud and Corruption	Cross-Cutting	Deterrent; stopping fraud and encouraging reporting of concerns. To be agreed as and when opportunities highlighted that are expected to recover costs.
National Fraud Initiative	5	5	Anti-Fraud and Corruption	Cross-Cutting	Deterrent; stopping fraud; recouping lost funds.
Reactive Fraud Work					
Fraud Investigations	5	5	Anti-Fraud and Corruption	Cross-Cutting	Deterrent; stopping fraud; recouping lost funds.
Total Anti-Fraud and Corruption:	10	10			
Key Financial Systems					
Accounts Receivable	15	15	Key Financial Systems	Cross-Cutting	Key Financial System review, scope agreed with External Audit.
Purchase to Pay	20	20	Key Financial Systems	Cross-Cutting	Key Financial System review, scope agreed with External Audit.
Payroll	15	15	Key Financial Systems	Cross-Cutting	Key Financial System review, scope agreed with External Audit.
Housing Rents/Arrears	20	20	Key Financial Systems	Cross-Cutting	Key Financial System review, scope agreed with External Audit.
Housing Benefits	20	20	Key Financial Systems	Cross-Cutting	Key Financial System review, scope agreed with External Audit.
Council Tax	15	15	Key Financial Systems	Cross-Cutting	Key Financial System review, scope agreed with External Audit.
NNDR	15	15	Key Financial Systems	Cross-Cutting	Key Financial System review, scope agreed with External Audit.
Treasury Management	15	15	Key Financial Systems	Cross-Cutting	Key Financial System review, scope agreed with External Audit.
Financial Systems IT General Controls	10	10	Key Financial Systems	Cross-Cutting	Key Financial System review, scope agreed with External Audit.
Procurement Governance	15	15	Key Financial Systems	Cross-Cutting	Review covering policies and procedures governing procurement processes, and arrangements for monitoring compliance with procurement policies.
Debt Recovery	10	10	Key Financial Systems	Cross-Cutting	Review of debt recovery, with a focus on: appropriate policies and procedures for debt recovery; areas of high debt write-offs; and debt recovery timescales.
Total Key Financial Systems:	170	170			
Commissioning & Contracts					
Current Capital Contracts Audit	10	10	Commissioning & Contracts	Cross-Cutting	Current contract audit, based on assessment of risk by CLT.
Current Revenue Contracts Audit	10	10	Commissioning & Contracts	Cross-Cutting	Current contract audit, based on assessment of risk by CLT.
Commissioning	0	10	Commissioning & Contracts	Cross-Cutting	Review of commissioning, to ensure that the early stages of the commissioning cycle enable best value to be achieved through subsequent procurement and contract management processes, with a focus on: assessment and identification of need; consideration of options; and development of the service specification.
Total Commissioning & Contracts:	20	30			
Risk-Based Audits					
Other Risk-Based Audits	0	0	Risk-Based Audits	Cross-Cutting	Further audit reviews, based on current assessments of risk.
Total Risk-Based Audits:	0	0			
Key Policies & Procedures					
Financial Regulations	5	0	Policies & Procedures	Cross-Cutting	
Contract Procedure Rules	5	0	Policies & Procedures	Cross-Cutting	
Business Continuity Policy	0	5	Policies & Procedures	Cross-Cutting	
Scheme of Delegation	5	0	Policies & Procedures	Cross-Cutting	
Information Governance Policies	0	5	Policies & Procedures	Cross-Cutting	
People Strategy	0	5	Policies & Procedures	Cross-Cutting	
Total Policies & Procedures:	15	15			
Compliance					
Fees and Charges	0	5	Compliance	Cross-Cutting	Review of fees and charges, to identify compliance with the Council's Fees & Charges policy.
Grants to Voluntary Organisations	0	5	Compliance	Cross-Cutting	Reviewing grants made by the Council to voluntary organisations, to identify: how available grants are advertised and communicated; whether appropriate grant agreements are in place; arrangements for outcomes monitoring; and whether any organisations are receiving multiple grants.
Agency Staff Compliance	5	0	Compliance	Cross-Cutting	Review of the use of agency staff to identify areas of high expenditure and/or non-compliance with Council policies on agency staffing.
Key Performance Indicators	0	5	Compliance	Cross-Cutting	Review of a sample of Key Performance Indicators to confirm that they are calculated and reported accurately in order to fully inform decision-making.
Scheme of Delegation	5	0	Compliance	Cross-Cutting	Review of a sample of decision-making to confirm that the Council's Scheme of Delegation is being complied with and that officers do not take decisions which are beyond their delegated powers.
Use of GPC	0	0	Compliance	Cross-Cutting	Review of the use of Government Purchase Cards, to confirm that cards are used in accordance with policies; that expenditure is monitored and approved appropriately; that best value is achieved; and that the risk of fraud is minimised. Possible for 2018/19.
Contract Extensions	0	5	Compliance	Cross-Cutting	Review of extensions made to contracts, to understand the reasons that contracts are extended, and whether extensions are achieving value for money.

Audit	2016/17 Days	2017/18 Days	Assurance Block	Directorate	Why?
Off-Contract Spend	10	0	Compliance	Cross-Cutting	Review of expenditure made outside framework and corporate contracts, to ensure best value is achieved and to identify any areas where there may be potential to improve corporate contracts.
Total Compliance:	20	20			
ICT and Information Governance					
Information Security	0	20	ICT and Information Governance	CST	Review of arrangements for Information Security, with a focus on: policies and procedures; compliance with legislative requirements; communication and staff awareness; compliance monitoring; and incident handling.
General Computer Controls	20	0	ICT and Information Governance	Cross-Cutting	Review of the General Computer Controls in place, with a focus on: access controls; physical security controls; system and data backup and recovery; system development and program change management controls.
Total ICT and Information Governance:	20	20			
Governance					
Corporate Governance	15	15	Governance	Cross-Cutting	AGS; Corporate Governance Group; Policy Updates
Total Governance:	15	15			
Strategic Risk Management					
Risk Management	10	10	Risk Management	Cross-Cutting	Administration and reporting of corporate risk register and risk management policies
Total Risk Management:	10	10			
Advice & Guidance					
Advice & Guidance	20	20	Advice & Guidance	Cross-Cutting	Providing support and guidance to staff on ad-hoc queries.
Follow-Ups of Agreed Actions	20	20	Advice & Guidance	Cross-Cutting	Confirming agreed actions have been implemented to reduce key organisational risks.
Committee Reporting	8	8	Advice & Guidance	Cross-Cutting	Reporting to Audit Committee.
Management Reporting	8	8	Advice & Guidance	Cross-Cutting	Reporting to CLT.
Audit Plan	4	4	Advice & Guidance	Cross-Cutting	Development of the Internal Audit Plan and any in-year revisions/updates.
Total Advice & Guidance:	60	60			
Operational Plan Total - 2016/17	400	400			