



### **Audit committee**

**Date:** Tuesday, 23 June 2015

**Time:** 16:30

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

#### **Committee members:**

##### **Councillors:**

Neale (chair)  
Boswell  
Bradford  
Driver  
Harris  
Howard  
Kendrick  
Wright

#### **For further information please contact:**

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

Democratic services  
City Hall  
Norwich  
NR2 1NH

[www.norwich.gov.uk](http://www.norwich.gov.uk)

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## Agenda

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- 1 Appointment of vice chair**  
To appoint a vice chair for the ensuing civic year
- 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 Declaration of interest**  
(Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting)
- 5 Minutes** **5 - 10**  
To approve the accuracy of the minutes of the meeting held on 17 March 2015
- 6 Statement of accounts 2014-15 - Extraordinary meeting**  
To agree to hold an extraordinary meeting of the committee in July 2015 to provide an opportunity for the committee to comment on the Statement of accounts, 2014-15. The dates proposed are:  
  
Tuesday, 7 July 2015 at 16:30 or  
Tuesday, 14 July 2015
- 7 Annual report of the audit committee 2014-15** **11 - 20**  
**Purpose** - To comment on the draft annual report of the audit committee 2014-15
- 8 Draft annual governance statement 2014-15** **21 - 42**  
**Purpose** - To review the effectiveness of the council's governance arrangements and approve the draft annual governance statement for 2014-15.

<b>9</b>	<b>Internal audit and fraud team 2014-15 – March 2015 update</b>	<b>43 - 48</b>
	<b>Purpose</b> - To advise members of the work of internal audit in March 2015 and progress against the 2014-15 internal audit plan, together with the work of the fraud team in 2014-15.	
<b>10</b>	<b>Annual audit report on internal audit and fraud 2014-15</b>	<b>49 - 62</b>
	<b>Purpose</b> - To inform members of the head of internal audit's annual audit opinion for 2013-14 and the work of internal audit and the fraud team which supports the opinion. The report and the audit opinion within it form part of the evidence to support the council's annual governance statement 2013-14.	
<b>11</b>	<b>Internal audit 2015-16 – April to May update</b>	<b>63 - 78</b>
	<b>Purpose</b> - To advise members of the work of internal audit between April and May 2015, and progress against the 2015-16 internal audit plan.	
<b>12</b>	<b>Review of corporate risk register</b>	<b>79 - 98</b>
	<b>Purpose</b> - 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.	

Date of publication: **Monday, 15 June 2015**





**Audit committee**

**16:30 to 17:50**

**17 March 2015**

Present: Councillors Neale (chair), Wright (vice chair), Boswell, Driver (substitute for Councillor Bremner), Harris, Kendrick, Little and Waters (from item 3).

Apologies: Councillor Bremner

**1. Declarations of interest**

There were no declarations of interest.

**2. Minutes**

**RESOLVED** to approve the accuracy of the minutes of the meeting held on 20 January 2015, subject to item 4, Internal audit and fraud team 2014-15 – November to December update, eighth paragraph, fourth sentence, to insert “county” between “over to the” and “council” so that the sentence reads as follows:

“The Highways Agency was not an “agency” as such and the council collected on street parking fees and paid it over to the county council and recharged the county council for staffing costs for highways services.”

**3. Audit plan 2014-15**

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

The chief finance officer introduced the report.

The external audit manager presented the external auditors’ audit plan and, together with the chief finance officer answered members’ questions on the assessment of the council’s group boundary and the council’s governance and control arrangements to prevent and detect fraud and error in its accounts. The chief finance officer said that changes had been made to fraud procedures as a result of the transferral of the fraud team (LGSS) to the Department of Works and Pensions (DWP). The fraud policy was currently being updated and the committee considered that it would be useful to consider the new policy at its next meeting together with an update on counter fraud work.

The committee noted that the external auditors had written to the chair, as in previous years, requesting confirmation of the council’s management processes and arrangements, and that the response would be included in the committee’s annual

report. The chief finance officer said that the council's annual governance report would be submitted to the external auditors with the statement of accounts in June.

Discussion ensued on a members' question regarding the financial resilience of the council and how the long-term effect of cuts and resident satisfaction were assessed and monitored. The external auditor replied that the external auditors conducted a high level audit comprising looking at the medium term financial statement, reviewing council and committee papers and discussions with the corporate leadership team and internal audit. The focus of the audit was on areas where there was some uncertainty, for instance, external funding such as the New Homes Bonus, and how it would be resourced going forward, ie, taking the uncertainty out of the plan. The chief executive said that the external auditors challenged the council's ability to deliver services against the corporate plan.

**RESOLVED** to approve:

- (1) the approach and scope of the external audit as proposed in the audit plan;
- (2) to review the council's fraud policy given the changing environment for the administration of fraud prevention and detection, alongside the council's annual governance statement, at the next meeting.

#### **4. Internal audit and fraud team 2014-15 – January to February update**

The internal audit manager (LGSS) presented the report, and together with the chief executive, chief finance officer and the fraud team leader (LGSS) answered members' questions.

With regard to the joint ventures/shared services audit, the committee was reassured that there would be no conflict of interest arising from the services of the internal audit being provided by LGSS. The chief executive reminded members that before the shared services arrangements the city council's internal audit and fraud team had been responsible for internal audits across the council.

Discussion ensued on the audit assurance work and it was noted that the accounts payable team was a very small team and that management was aware of the risks that this caused. The chief finance officer pointed out for clarification that the invoices that the team raised were against people who owed money to the council and that the invoices paid were raised against goods and services that the council had received. The internal audit manager explained that the upgrade of the Civica IT system would be tested by the council's systems support team and customer contact team.

It was noted that the work of the fraud team in 2013-14 was greater than the current year because of the additional case work that had arisen from delays in processing by the revenues and benefits team.

**RESOLVED** to:

- (1) note the:

- (a) work of internal audit between January and February 2015;
  - (b) progress on the 2014-15 internal audit plan;
  - (c) work of the fraud team between April 2014 and February 2015;
  - (d) latest position on the national fraud initiative (NFI);
  - (e) latest counter fraud developments.
- (2) record the committee's gratitude to Andy Rush, the fraud team leader (LGSS) and his colleagues in the fraud team, for their contribution to the work of the council and to wish them well in the future.

## **5. Draft internal audit plan for Norwich City Council 2015-16**

The internal audit manager presented the report and the draft internal audit plan for 2015-16 as set out in appendix 1. The chief finance officer said that the audit of the core systems would not take as long as in previous years. This would allow for more resource to cover residual fraud work which would fall to internal audit following the transfer of the fraud team to DWP. The chief executive said that it was important to focus on an area where there was a big change and to ensure that the risk was managed.

Discussion ensued on the progress of the revised internal audit plan and whether the contingency of 40 days was sufficient to complete the 2014-15 internal audit plan.

A member sought reassurance that the work on the development of a new website and e-forms was not being duplicated. LGSS was project managing this work.

In reply to a question from the chair, the internal audit manager and chief accountant (LGSS), advised the committee that the internal audit was on the income received by the council for CIL, after the administration costs had been removed, and not on its expenditure on projects within the local development framework. The chief executive said that each of councils, that comprised the Greater Norwich Growth Board partnership, would be responsible for auditing its element of the process.

The internal audit manager advised the committee that it was still proposed to look at the NNDR (national non-domestic rates) under this year's audit plan and that it would progress in the next few weeks. In reply to a question, the internal audit manager said that he considered the allocation of days for procurement and contract management arrangements adequate. The internal audit team could call in services of the wider team within LGSS if required.

**RESOLVED** to endorse the draft internal audit plan for Norwich City Council for 2015-16.

## **6. Review of the corporate risk register**

The internal audit manager presented the report and together with the chief executive and chief finance officer answered member's questions.

During discussion the internal audit manager referred to the corporate risk register, A4, Safeguarding children, vulnerable adults and equalities duties and said that the proposed change, item 8, under the column "caused by" should be amended by deleting "peer" and "adult" and replacing "review" with "reviews" to reflect that there was a peer review of the county council's adult safeguarding service and an Ofsted report on the protection of children. The chief executive explained how the council worked in partnership with other organisations to safeguard children and vulnerable adults and did as much as it could as a district council and maximise resources. The committee noted that cabinet had received a report which set out the council's approach to safeguarding at its meeting on 11 March 2015 ("Safeguarding and safer communities").

Discussion ensued on the instability of local government funding from central government and the steps that the council took to limit these risks. Cuts in public sector funding to major partners, despite increased referrals, might result in increased costs to the council, for instance in health and social care.

The internal audit manager undertook to circulate information on the current situation relating to the provision of laptops for use by the emergency planning team.

In reply to a member's suggestion, the internal audit manager agreed that under C3, information security, the last point under the key controls was incomplete and should read as:

"7. The council has introduced a new ICT programme board, attended by LGSS IT."

Members were also advised that the fixed asset register was on the service risk register. The fixed asset register would be part of the new financial system which would be procured in the next financial year.

**RESOLVED to:**

- (1) note the corporate risks and key controls in place and further actions planned to mitigate the risks;
- (2) ask the internal audit manager to circulate to all members of the committee, an update on the current situation regarding the provision of laptops for the emergency planning team.

**7. Local government audit committee briefing**

(The chair agreed to consider the external auditor's local government audit committee briefing, which had been circulated to members as a supplementary report, so that members could have the opportunity to ask the external auditor questions.)

The external auditor referred to the report and answered questions on the term "boiler plate" which referred to a template or standard report being used and "off payroll staff", ie, temporary staff in senior positions. The chief executive said that



the council did not have any “off payroll staff” but there had been cases elsewhere where the pay of civil servants had been paid into companies rather than to the individual.

**RESOLVED** to receive the external auditor’s Local government audit committee briefing (March 2015).

CHAIR



**Report to** Audit committee  
23 June 2015  
**Report of** Chief finance officer  
**Subject** Annual audit committee report 2014-15

**Item**

7

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**Purpose**

To comment on the the draft Annual audit committee report 2014-15.

**Recommendation**

That the committee approves the content of the Annual audit committee report and recommends that council adopts it.

**Corporate and service priorities**

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

**Financial implications**

This report has no direct financial consequences.

**Ward/s:** All

**Chair, audit committee:** Councillor Neale

**Contact officers**

Justine Hartley, chief finance officer

01603 212440

**Background documents**

None

## **Report**

1. On 11 March 2014, the audit committee resolved to approve new procedures for the audit committee in line with CIPFA guidance. In line with good practice the committee agreed to produce an annual report for council.
2. The attached Annual report of the audit committee 2014-15 gives an opportunity for members of the committee to consider and comment on the report before it is presented to full council on 21 July 2015.

## **Annual report of the audit committee 2014-15**

### **Introduction**

This is the second annual report of the audit committee and advises the council of the work of the audit committee for the period 2014 to 2015.

Councillor Paul Neale  
Chair, audit committee

## Background

1. This report covers the work of the audit committee for the financial and civic year 2014 to 2015. The committee met five times during this period.
2. The council established an audit committee in 2007. Article 17, Audit committee, of the council's constitution sets out the terms of reference and procedures for the committee. Article 17 was reviewed and reissued in July 2014. A copy of Article 17 is appended to this report as Appendix A. The production of an annual report by the committee is good practice.
3. The members on the committee in 2014 to 2015 were:

Councillor Paul Neale (chair)  
Councillor James Wright (vice chair)  
Councillor Andrew Boswell  
Councillor James 'Bert' Bremner  
Councillor Gail Harris  
Councillor Paul Kendrick  
Councillor Stephen Little  
Councillor Alan Waters

Councillor Keith Driver attended two meetings as a substitute for Councillor Bremner.

4. The key officers that support the audit committee are:

Justine Hartley, chief finance officer  
Philippa Dransfield, chief accountant and deputy S151 officer  
Steve Dowson, internal audit manager (LGSS)  
Laura McGillivray, chief executive

The committee was also supported by Jonathan Idle, head of internal audit and risk management (LGSS) who has now left the service, and has been replaced by Neil Hunter and by Andy Rush, fraud team leader, until the transfer of Housing Benefit fraud responsibilities and the associated staff to the DWP at the end of March 2015.

5. The committee has regular training sessions. This included training on the Statement of accounts, governance arrangements and the housing revenue account. The training was held in the half hour before the formal business of the committee. Training is not restricted to committee members and there is an open invitation for all members of the council to attend. The external auditors also provide information briefings for audit committees which are discussed and considered by members at committee.
6. The external auditors (Ernst & Young) attend meetings of the audit committee and answer members' questions. The engagement team is led by Rob Murray, who has significant experience of Norwich City Council, supported by David Riglar who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the finance team. To meet regulatory requirements and ensure a smooth rotation plan for future years, Mark Hodgson

will be replacing Rob Murray in 2015-16. The committee monitors the fees paid by the council to the external auditors to ensure value for money. The committee has expressed concern that the council had to pay an additional £12,000 fees for the 2013-14 accounts because of a complex enquiry from a member of the public. It is hoped that this is a one off occurrence and that it was due to a particular set of circumstances.

### **Statement of accounts and annual governance statement**

7. For the second year running the council's Statement of accounts 2013-14 was approved by the statutory deadline of 30 September 2014 and received an unqualified opinion from the external auditors.
8. The committee considered the draft statement of accounts 2013-14 and annual governance statement at its meeting on 22 July 2014 and made further comments at its September meeting.
9. During discussion, the committee considered that it is important that the Statement of accounts is easily understood by members of the public and therefore asked for explanatory text to be inserted. Members also considered that acronyms should only be used if the name is given first in full.
10. There was also some lively debate and an exchange of views regarding whether the statement regarding air quality should be deleted from the Statement of accounts as some members considered that the proposed Northern distributor road (NDR), a key feature of the Norwich area transportation strategy (NATS), would increase carbon emissions from transport in the city and county in the future, a view that was rejected by other members. The committee concluded that references in the Statement of accounts are a neutral record of the council's position at a given moment of time and that there was evidence of the council's commitment to improve air quality and reduce carbon emissions is set out in the corporate plan.
11. The annual governance statement follows guidance on good practice. Members discussed the content of the annual governance statement 2013-14 in detail. The committee considered whether there should be specific reference to the revenues and benefits service in the annual governance statement. There had been significant issues arising from the service which had been considered in detail by both the audit and scrutiny committees. The external auditors had taken the view that a specific reference in the previous year's annual governance statement was not required and therefore the same view was taken for 2013-14. The committee also considered how the involvement of opposition members was reflected in the annual governance statement. Members noted that the various committees of the council were mentioned and that it was implicit that members from the opposition groups contributed to the work of the council. The practice of the council to elect the chairs of the scrutiny and audit committees from the minority groups was also noted.
12. A supplementary report, comprising the council's response to the external auditors' audit results report was circulated at the September meeting. The chief finance officer explained that it was not possible to circulate the response at an earlier stage until the accounts had been audited and therefore the officers cannot prepare the response until they have received the external auditors' report. The response must be included in the letter of representation. It was

hoped that in future years the council could receive the external auditors' audit results report earlier to allow for the council response to be included with the audit committee agenda papers.

### **Risk management**

13. The committee reviews the corporate register throughout the year and notes any changes to the corporate risk register proposed by the corporate leadership team. The council's risk management processes are well embedded within the council, and members can be assured that the corporate risk register is kept up to date following regular review by the corporate leadership team and business managers' group of the key risks to achieving the council's objectives.
14. The committee has had considerable discussion about what should be included on the corporate risk register. Cabinet proposes the corporate plan to the council for adoption and discussion on policy is outside the remit of the audit committee. The council addresses climate change through its policies and strategies, but Green group members consider that climate change should be listed as a risk in its own right.
15. The instability of local government funding from central government means that there is a high residual risk for public sector funding which can change and be adverse to the council's delivery of its corporate policies. The council takes steps to limit these risks but it is noted that cuts in public sector funding affecting its major partners may result in increased costs to the council, for instance in health and social care.
16. The committee has been concerned that the council needs a fixed asset register and has been assured it that it will be part of the new financial system that will be procured in the next financial year.

### **Internal audit and fraud team**

17. The committee receives an annual internal audit opinion and regular reports on the progress against the audit plan report at each meeting. This gives the committee an opportunity to ask detailed questions and monitor progress. In January 2015 the committee endorsed an amendment to the audit plan to include income generation and joint ventures on the plan.
18. The committee has been briefed on the audit process and is aware that each audit is followed up by a review to check that agreed actions arising from the audit are completed and report back to committee. The committee may also call managers to account for non-compliance with agreed actions arising from the internal audit. This would give a strong message to managers throughout the authority. However the rate of compliance is good and the committee has not found it necessary to invite managers to attend the committee. A letter was written on the committee's behalf to the responsible manager of the Norman Centre, only for it to be reported at the next meeting that all of the agreed actions had already been implemented, and therefore it was not necessary for her to attend the committee meeting.
19. An increase in resources to deal with the backlog in processing claims led to more benefit cases being identified for investigation. Many of the cases were due to customers not informing the authority of a change of circumstances.



20. The draft internal audit plan for 2015-16 was considered at the March meeting. The audit of core systems will not take as long as in previous years. It is also noted that the internal audit team can call on resources in the wider team within LGSS if required. Members have an opportunity to challenge the allocation of resources for audits and ask questions.
21. The external auditors seek confirmation from the chair each year requesting confirmation of the council's management processes and arrangements. The chair has responded to this letter and copies have been circulated to members of the committee.

### **Transfer of housing benefit fraud work to the Department of Work and Pensions (DWP)**

22. On 1 April 2015, housing benefit fraud work transferred to the DWP. The committee received regular updates on the arrangements for the transfer of the council's benefit fraud work and meetings were attended by Andy Rush, the fraud team leader (LGSS), who answered members' questions.
23. Members considered that it was regrettable that the skilled investigative staff within the fraud team will be lost to the council. In September 2014, the committee noted that the fraud team had already exceeded its key performance indicator (based on the running costs of the fraud team) by £14,000.
24. The internal audit team will cover the residual fraud work following the transfer of the fraud team to DWP. Also LGSS has created a counter fraud team and has appointed two new counter fraud managers to cover fraud investigative support across the shared service following the transfer. There will be a service level agreement between the council and the DWP for benefit fraud work.
25. The committee would like to record its gratitude to the internal fraud team for the contribution it made to the council.

### **Conclusion**

26. The committee has been effective in undertaking the functions set out in its terms of reference, in accordance with the council's procedure rules and the Accounts and Audit Regulations 2011.

## **ARTICLE 17 – AUDIT COMMITTEE**

### **Membership**

1. Membership of the audit committee shall comprise 8 members appointed by council.
2. The chair of the committee shall be elected by council and the vice-chair shall be appointed by the committee.

### **Terms of reference**

3. The audit committee shall -
  - (a) undertake the council's financial responsibilities in the manner set out:
    - (i) in the council's audit committee procedure rules as produced from time to time by the chief finance officer; and
    - (ii) in the Accounts and Audit Regulations 2011;
  - (b) consider and approve the annual statement of accounts;
  - (c) ensure that the financial management of the council is adequate and effective;
  - (d) ensure that the council has a sound system of internal control which facilitates the effective exercise of the council's functions and which includes arrangements for the management of risk;
  - (e) review annually the council's system of internal control and agree an Annual Governance Statement for inclusion in the statement of accounts;
  - (f) ensure that the council has an adequate and effective internal audit function;
  - (g) have power to make recommendations to cabinet or council on any matter within its remit.

## **AUDIT COMMITTEE PROCEDURE RULES**

The audit committee will carry out its terms of reference in accordance with the following:

### ***Corporate governance***

1. Review the effectiveness of internal control across the council and the adequacy of actions taken to address any weaknesses or control failures.
2. Consider the adequacy and effectiveness of the council's arrangements for the identification and management of the organisation's business risks; including the risk management policy, strategy and risk register.
3. Receive and consider regular reports on the risk environment and associated management actions.
4. Review and ensure the adequacy of the council's anti-fraud and corruption policy and strategy and the effectiveness of their application.
5. Review and ensure that adequate arrangements are established and operating to deal with situations of suspected or actual fraud and corruption.
6. Review, consider and agree the AGS including the adequacy of the corporate governance framework and improvement action plan contained within it.
7. Receive periodic updates on improvement actions taken.

### ***Internal and external audit***

8. Approve the internal audit charter.
9. Approve and monitor delivery of the internal audit strategy.
10. Consider, endorse and monitor delivery of the internal audit annual work programme, including any significant in-year changes to the programme or resource requirements.
11. Ensure adequate resourcing of the internal audit function, approving any significant additional consulting services requested from internal audit not already included in the internal audit annual work programme.
12. Receive and consider the annual internal audit report and opinion on behalf of the council.
13. Oversee the annual review of the effectiveness of the system of internal audit, to include the performance of the internal audit function, compliance with standards and delivery of improvement actions.
14. Contribute to the external quality assessment of internal audit that takes place every five years.
15. Commission work from internal and external audit and consider the resulting reports.
16. Comment on the scope and depth of external audit work and ensure it gives value for money.
17. Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
18. Seek assurance that action has been taken to implement the recommendations arising from the findings of significant audit and inspection work.

***Statement of accounts***

19. Discuss the annual audit plan for the audit of the financial statements with external audit.
20. Consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
21. Review and approve the annual statement of accounts, including subsequent amendments on behalf of the council.

***Referred powers***

22. Consider and make recommendations on all matters described above.  
Recommendations relating to all paragraphs except 9 – 10 and 12 – 21 shall be made to the cabinet and chief finance officer. Recommendations relating to paragraphs 9 – 10 and 12 – 21 shall be made to the chief finance officer.

***Accountability arrangements***

23. Report to those charged with governance on the committee's findings, conclusions and recommendations concerning the effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
24. Report to full council on the committee's performance in relation to the terms of reference and effectiveness of the committee in meeting its purpose.

**Report to** Audit committee  
23 June 2015  
**Report of** Head of internal audit, LGSS  
**Subject** Draft annual governance statement 2014-15

**Item**  
**8**

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### **Purpose**

To review the effectiveness of the council's governance arrangements and approve the draft annual governance statement for 2014-15.

### **Recommendations**

To:

- (1) review the effectiveness of the council's governance arrangements;
- (2) approve the draft annual governance statement for 2014-15.

### **Corporate and service priorities**

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

### **Financial implications**

None directly.

**Ward/s:** All wards

**Cabinet member:** Councillor Stonard – Resources and income generation

### **Contact officers**

Neil Hunter	01223 715317
Steve Dowson	01603 212575

### **Background documents**

None

# Report

## Background

1. One of the requirements in the Accounts and Audit Regulations 2015 is for the reporting of an annual governance statement (AGS) for the financial year 2014-15. The governance statement provides public assurance that the council's governance framework is adequate and effective.
2. In 2001 CIPFA and SOLACE produced a framework of good governance for use in local government. The framework recommended that local authorities review their existing governance arrangements and report annually on their effectiveness in practice.
3. The framework states that "good governance leads to good management, good performance, good stewardship of public money, good public engagement, and, ultimately, good outcomes for citizens and service users. Good governance enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk."
4. Using the principles in section three of the framework the council adopted a revised code of governance in October 2008. In November 2014 the council approved an update to the code to include the additional governance requirements from the CIPFA statement on the role of the chief financial officer in local government.
5. Both the framework and the CIPFA code of practice on local authority accounting in the United Kingdom 2014-15 state that the governance statement should cover all significant corporate systems, processes and controls, including in particular those designed to ensure that:
  - the authority's policies are implemented in practice
  - high quality services are delivered efficiently and effectively
  - the authority's values and ethical standards are met
  - laws and regulations are complied with
  - required processes are adhered to
  - performance statements and other published performance information are accurate and reliable
  - human, financial and other resources are managed efficiently and effectively.
6. The draft statement has already been considered by the corporate leadership team, chief finance officer and monitoring officer.
7. The draft annual governance statement accompanies the statement of accounts which has to be published by 30 June, but may subsequently be amended following review by the external auditor (EY).

## **The annual review of the effectiveness of governance arrangements**

8. The framework requires that the council should undertake regular, at least annual, reviews of its governance arrangements to ensure continuing compliance with best practice as set out in the framework. It is important that such reviews are reported on both within the council, in the council's case to corporate leadership team and audit committee, and externally with the published accounts, to provide assurance that:
  - governance arrangements are adequate and operating effectively in practice, or
  - where reviews of the arrangements have revealed gaps, action is planned that will ensure effective governance in future.

## **The draft annual governance statement**

9. The draft annual governance statement for 2014-15 accompanies the unaudited statement of accounts for the year ending 31 March 2015 which will be reported to audit committee in July. The draft governance statement can be found at **appendix 1**.
10. A 'good' governance statement is an open and honest self-assessment of the council's performance across all of its activities, with a clear statement of the actions being taken or required to address any areas of concern.
11. The format and contents follow the guidance in the CIPFA/SOLACE framework and addendum. The statement also complies with the requirements of the CIPFA code of practice on local authority accounting in the United Kingdom 2014-15.





## Annual Governance Statement 2014-15

### 1. Scope of responsibility

Norwich City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Norwich City Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Norwich City Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

Norwich City Council has approved and adopted a code of governance which is consistent with the principles of the CIPFA/ SOLACE Framework *Delivering Good Governance in Local Government*. The code forms appendix 19 of the council's constitution which is on the council website at [www.norwich.gov.uk](http://www.norwich.gov.uk). The code has been updated as part of a fundamental review of the council's constitution.

This statement explains how Norwich City Council has complied with the principles of the code and also meets the requirements of regulation 4(3) of the Accounts and Audit Regulations 2011 which requires all relevant bodies to prepare an annual governance statement.

In April 2012 the council transferred the ICT and finance functions to LGSS, a public sector partnership between Northamptonshire and Cambridgeshire county councils. The arrangement is covered by a service level agreement.

Under the arrangement, some of the roles which the annual governance statement refers to are now carried out by officers from LGSS, as follows:

An appropriately qualified and experienced finance officer at LGSS is the council's chief finance officer and s151 officer.

The LGSS head of audit and risk is responsible for internal audit and the fraud team and reports to audit committee (the fraud team transferred to the Department for Work and Pensions on 1 April 2015).

### 2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which the council is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Norwich City Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Norwich City Council for the year ended 31 March 2015 and up to the date of the approval of this statement.

### **3. The governance framework**

The council's code of governance recognises that effective governance is achieved through the following core principles:

- Focusing on the purpose of the council and on outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the council and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

The following is a brief description of the key elements of the systems and processes that comprise the council's governance arrangements:

- Identifying and communicating the council's vision of its purpose and intended outcomes for citizens and service users:

The council has a clear vision of what it is trying to achieve, as set out in its corporate plan 2015-2020, which forms the council's overarching policy framework.

The changing pace council blueprint (operating model) has been developed as a guide for how Norwich City Council designs services and structures to deliver the vision and priorities within its corporate plan in a way that proactively addresses the financial pressures and changing policy and legislative environment it faces.

The Norwich Locality Board was established with its key objectives to promote collaborative and new ways of working, and identify opportunities for cost savings and efficiencies through joint service redesign, shared provision and better co-ordination of public service delivery. Membership of the board includes representatives from the county council, police, probation, and representatives of the voluntary and business sectors.

Details of all the above, together with any committee reports referred to in this statement, can be found on the council website at [www.norwich.gov.uk](http://www.norwich.gov.uk).

- Reviewing the council's vision and its implications for the council's governance arrangements:

The corporate plan sets out the city council's strategic direction including its vision, mission and priorities. A new corporate plan 2015-2020 was approved by council on 17 February 2015.

The new corporate plan was developed through a number of methods including:

- Analysing information on levels of need in the city such as looking at demographics, strengths, opportunities, inequalities and challenges.
- Assessing the current environment the council operates in, including the national and local economic climate and policy and legislation for local government.
- Looking at the potential future factors that may impact on Norwich and the council e.g economic, social, environmental etc.
- Discussions with councillors including an all councillor workshop.
- Specific discussions with partner organisations
- Assessing the future resourcing likely to be available to deliver a new corporate plan.
- Formal review by scrutiny and cabinet.

In line with the approach used previously a consultation was carried out on the draft corporate plan framework for 2015-2020 with citizens and organisations. Based on the results of the consultation no further changes were proposed.

The delivery of the corporate priorities is managed through service plans for each service area and monitored through the council's performance management and reporting system.

Service plans are reviewed every year in line with the changes to the corporate plan priorities and in accordance with the development of the budget to ensure the necessary resources are in place for their delivery.

The corporate plan 2015-2020 also links closely to the council's risk management strategy and corporate risk register. The council has a comprehensive approach to risk management which ensures all strategic risks are appropriately identified, managed and mitigated against.

- translating the vision into objectives for the authority and its partnerships:

The council's five priorities are to make Norwich a safe, clean and low carbon city; a prosperous and vibrant city; a fair city; a healthy city with good housing; and to provide value for money services.

The corporate plan is underpinned by a range of strategic and operational plans, which set out in more detail how the council's vision and priorities will be delivered. These plans contain more specific targets, which are allocated to teams, contractors, partners and employees to deliver.

- Measuring the quality of services for users, ensuring they are delivered in accordance with the council's objectives and ensuring that they represent the best use of resources and value for money:

Performance management in the council is based on corporate plan priorities supported by a strategic management framework. The plan has a number of priorities and key performance measures and the service and team planning process is designed to explicitly reflect these priorities. The corporate plan is underpinned by service plans which set out how the top priorities will be delivered, and by operational delivery plans which set out practical steps and performance measures for all teams. Portfolio holders have been brought into the service planning process, and are required to sign off service plans with the relevant service managers.

The council uses an electronic performance management system which supports the performance management regime by holding high level indicators, risks and actions used to deliver the 2015-2020 corporate plan and supporting plans (service plans). Each service has a high level dashboard charting progress against their service plan priorities. Dashboards showing performance for each cabinet portfolio are also produced for portfolio holders. This approach is used to strengthen performance reporting processes to the cabinet, scrutiny, corporate leadership team and all managers. Performance is reported monthly to portfolio holders, quarterly to cabinet and twice-yearly to scrutiny.

The council is a member of HouseMark, which is the main benchmarking organisation for social housing. Norwich is a major subscriber and also a member of housemark clubs dealing with welfare reform and ASB issues comparing and shaping good practice. The council is also a founder / board member of ARCH (Association of Retained Council Housing) which promotes council housing and shares good practice through the exchange of ideas and seminars. The council also has active tenancy scrutiny and involvement panels which enable tenants to be involved with contract monitoring and procurement.

A summary of the overall performance of the council in 2014-15 is included in the explanatory forward to the statement of accounts for the year ending 31 March 2015.

- Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the council and partnership arrangements:

The council's constitution sets out how the council operates, and contains separate articles and appendices covering executive, non-executive, scrutiny and officer functions. In addition, there are separate appendices covering the scheme of delegations to officers, the protocol for member/officer working arrangements, and protocols for the chief finance officer and monitoring officer. There is also an agreed protocol between the leader and chief executive officer covering their working arrangements following the appointment of a new leader.

The council has a corporate governance framework for working in partnerships, with significant partnerships and joint ventures such as those with LGSS and NPS Norwich being covered by service level agreements.

- Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff:

Under the Localism Act 2011 the new standards regime, including the members' code of conduct, was adopted by council on 19 June 2012.

There is a separate code of conduct for employees which is supported by HR policies and procedures. New employees are given a copy of the code of conduct and other key policies, and there are regular reminders regarding compliance with the policies. Employees are required to confirm that they have read the code of conduct and other key policies; if they do not their access to IT systems can be revoked.

- Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality.

The council's decision making framework is set out in the council's constitution including an effective scheme of delegation. The council's constitution is kept under continuous review in line with best practice, with a clear review plan, supported by a corporate governance group consisting of the executive head of business relationship management and democracy, monitoring officer, chief finance officer (section 151 officer), head of HR and learning and local LGSS audit manager. There is also a cross-party constitution working party - where major changes are proposed by the corporate governance group these are considered by the constitution working party before being recommended to council for approval.

Decision making arrangements in partnerships are guided by the council's comprehensive corporate governance framework and toolkit for partnership working which ensures that effective governance and risk management arrangements are in place. In line with this all key partnerships have been identified and are included in the council's partnership register. The governance arrangements for key partnerships are kept under regular review and the results are reported to cabinet annually, together with an assessment of the effectiveness of the council's involvement in partnerships.

The council has a data quality policy that sets out the council's approach for maintaining data quality.

- Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

The council has a risk management policy and a risk management strategy, which have been approved by cabinet and are available to all staff via citynet (the council's intranet). The council's corporate risk register is the result of continued review by managers, corporate leadership team and audit committee of the key risks that may have an impact on achieving the council's objectives. Each risk shows the owner and the key controls in place to minimise any impact on the council and its provision of services to stakeholders. Individual projects and partnerships are also subject to risk assessments.

- Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

The council has an anti-fraud and corruption strategy which is available on its intranet and website, and which all staff are required to confirm they have read. The strategy has been reviewed by corporate leadership team and is currently being verified against other council policies.

Under the partnership and delegation agreement, in 2014-15 LGSS provided a dedicated fraud team to investigate all alleged frauds perpetrated against the council. The team included a qualified financial investigator who had the power to initiate recovery proceedings under the Proceeds of Crime Act. As part of the restructuring of the wider LGSS internal audit function a new fraud team has been set up to provide a counter fraud service to all LGSS clients. The counter fraud arrangements for the council going forward will be decided once all the appointments to the team are made.

The council fully participates in the Cabinet Office's regular national fraud initiatives (NFI) and regularly reports the results to audit committee.

- Ensuring effective management of change and transformation.

Change and transformation within the council is managed through the council's transformation programme guided by its changing pace blueprint (operating model) to ensure the council meets its savings targets while continuing to improve services wherever possible. This approach is supported by a range of tools such as the council's organisational change toolkit to ensure staffing changes are carried out effectively, and its project management toolkit to ensure the effective delivery of projects. The transformation programme is kept under regular review by the corporate leadership team and business management group (involving all the heads of service) with regular briefings for the leader and portfolio holders and major change proposals being formally approved by Cabinet and Council as appropriate. There is also a cross party working group which discusses and informs change options on a cross-party basis prior to them reaching the formal proposal stage.

The council has received significant external recognition for its approach to managing change, transformation and organisational improvement.

The council won the Gold Award for 'Council of the Year' in the Improvement and Efficiency Awards 2014 and the 'Most Improved Council Award' in the Local Government Chronicle Awards 2014. It is also a finalist in the Municipal Journal's 'Best Achieving Council' award 2015.

- Ensuring the council's financial management arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)*.

The role of the chief finance officer (CFO) and the finance function are sourced through a partnership and delegation agreement with LGSS, a public sector shared services organisation. The governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)

are embedded within the agreement and performance against these requirements is regularly monitored to ensure compliance. The council and LGSS work together to continually improve financial management practices and processes to deliver sound financial governance.

- Ensuring the council's assurance arrangements conform with the governance requirements of the *CIPFA Statement on the Role of the Head of Internal Audit (2010)*.

In line with the partnership and delegation agreement, the internal audit for 2014-15 was provided by LGSS internal audit and is led by a professionally qualified head of internal audit in accordance with the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2010) and the Code of Practice for Internal Audit in Local Government.

- Ensuring effective arrangements are in place for the discharge of the monitoring officer function.

The monitoring officer is a statutory appointment under section 5 of the Local Government and Housing Act 1989. The current responsibilities of the monitoring officer's role rests with nominated officers at nplaw, the council's shared legal service. They undertake to discharge their statutory responsibilities with a positive determination and in a manner that enhances the overall reputation of the council. In doing so they will also safeguard, so far as is possible, members and officers whilst acting in their official capacities, from legal difficulties and/or criminal sanctions.

It is important that members and officers work together to promote good governance within the council. The monitoring officer plays a key role in this and it is vital therefore, that members and officers work with the monitoring officer to enable them to discharge their statutory responsibilities and other duties (as set out in article 12 of the council's constitution).

There are working arrangements and understandings in place between the monitoring officer, members and the corporate leadership team which are designed to ensure the effective discharge of the council's business and functions. These arrangements are detailed in the *monitoring officer protocol*, which currently forms appendix 9B of the council's constitution.

- Ensuring effective arrangements are in place for the discharge of the head of paid service function.

The role of head of paid service is defined in the Local Government and Housing Act 1989. In Norwich City Council it is assigned to the chief executive as set out in appendix 8 of the constitution and all necessary powers are delegated to her to fulfil the statutory role. Article 12 of the constitution requires the head of paid service to determine and publicise a description of the overall departmental structure of the Council showing the management structure and deployment of officers.

The head of paid service, despite having all the necessary authority to take delegated staffing decisions, has chosen to exercise her discretion on a number

of occasions and has reported to cabinet on changes to the senior management structure or on significant changes to the organisation's structure as an aid to transparency. These proposals are discussed at the corporate leadership team and proposed to cabinet. All cabinet papers are circulated to all members. The council's senior management structure is set out in appendix 17 of the constitution and publicised on the council's web site.

The council is also required to provide the head of paid service with staff, accommodation and other resources sufficient to enable the performance of the function. In Norwich city council, the annual budget proposed to council by cabinet, prepared by officers, seeks to align the provision of council resources with the delivery of the corporate plan. In this manner, the head of paid service is ensuring that the council is fulfilling its duty. During the year, any proposals that are made to significantly alter the manner of service delivery, to reduce or enhance a service, sets out the staffing and resource implications for that proposal. This is standardised in committee report formats to ensure that all relevant matters are considered when proposals are made. All cabinet papers are subject to scrutiny.

A review (or appraisal) of the chief executive's performance is undertaken each year. The process is managed by an independent individual and takes account of the views of the Leader, cabinet and each opposition leader about how the chief executive has discharged all of her functions in relation to the role. There are also informal opportunities throughout the year for the adequacy of the chief executives performance to be discussed e.g. at weekly leader meetings and monthly meetings of group leaders.

- Undertaking the core functions of an audit committee, as identified in CIPFA's *Audit Committees – Practical Guidance for Local Authorities*:

The council has an audit committee with terms of reference and supporting procedure rules covering internal and external audit, risk management, annual statement of accounts, corporate governance and internal control arrangements, and anti-fraud and corruption arrangements. The terms of reference were reviewed in March 2014 in line with the latest CIPFA guidance and can be found in article 17 of the council's constitution.

- Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful:

The monitoring officer is responsible for advising whether decisions of the cabinet are in accordance with the policy and budget framework.

In relation to an executive function, the monitoring officer and chief finance officer had responsibility in 2014-15 for ensuring that all proposals, decisions and actions incurring expenditure were lawful.

Corporate policies and strategies, which are subject to regular review, are available on the council intranet. Employees are required to confirm that they have read key policies relating to conduct, security and certain personnel matters.



Managers within the council are responsible for putting in place systems of control to ensure compliance with policies, procedures, laws and regulations. Each year heads of service are asked to conduct a self-assessment of the systems of internal control within their services and highlight actions intended to address any areas for improvement.

- Whistleblowing and for receiving and investigating complaints from the public.

The council has a whistleblowing policy which is accessible via the intranet and council website. It is one of the key policies which staff are required to read and confirm via the workforce system. For the public there is also a complaints procedure which can be accessed via the council website, plus an online form for reporting all types of suspected fraud.

- Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training:

The cross-party councillors' development group sets the strategic and policy direction for all aspects of councillor development which includes:

- promoting the development of members
- developing, monitoring and evaluating the councillors training and development programme
- supporting and encouraging councillors in maintaining the charter for member development, including personal development planning.

A full programme of training and development has been agreed by the group including a monthly schedule of both training sessions and briefings.

Managers have a portfolio of learning and development available to them which is designed to develop their skills and to support achievement of the organisation's priorities. The Changing PACE values provide the overarching framework for development and include behaviours expected from all employees. There is an employee performance review which provides individual and team objectives and through which learning and development needs for all employees and managers are identified. A corporate learning and development plan is created to support employees in line with current and future needs.

- Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation:

The council is part of *Your Voice*, a partnership of local organisations which enables anyone to sign up and have their say on services through consultations, surveys, focus groups and workshops, to name a few.

The council's *Customer first* guidance for staff is intended to ensure that everything the council produces and sends out is easy for everyone to understand. It is supported by the *Communications strategy* and *Communications handbook* which helps staff to deal with communications issues.

Residents are informed about the council's activities at all times. This is done through *Citizen*, the quarterly magazine for residents; work with the local media; the council website; social media and other channels. Council tenants also receive their own magazine, *TLC*, focusing on issues affecting them.

Tenants have a range of ways to be involved and these are detailed on the tenant involvement page of the council website. There is a clear framework with formal group structures for tenants and leaseholders, including seven active tenant and resident associations.

In addition, a range of other options allows tenants to be involved at a level that suits them. These consist of the 1,200 tenant and leaseholder TalkBack panel used for surveys and focus groups, tenant inspectors, involvement in estate walkabouts and mystery shoppers. Proactive work by the tenant involvement team means that events and road shows are regularly held to encourage more tenants to be involved or simply give their views on services they receive.

Any public consultations that are planned for the year are included in service plans. All consultations are co-ordinated by the council's consultation group, which meets quarterly and is chaired by the head of communications and culture.

Information on current and closed consultations, including reports and minutes, is available on the council website.

- Enhancing the accountability for service delivery and effectiveness of other public service providers (in England this includes powers granted to local authorities under the Health and Social Care Act 2012 and the Police Reform and Social Responsibility Act 2011).

The council's scrutiny committee through its work programme regularly carries out work that involves reviewing the performance and effectiveness of other public service providers as well as the council. A member of the council's scrutiny committee is a member of the Norfolk health scrutiny committee and provides regular updates on their work to the council's scrutiny committee.

The council's Leader is also a member of the Norfolk Health and Wellbeing Board and inputs into the progression of the Norfolk Health and Wellbeing Strategy.

The Norwich Locality Board also has a role in overseeing the delivery of health outcomes in the city as part of the Healthy Norwich programme and there is a progress update on this at each meeting,

The council's portfolio holder with responsibility for community safety is a member of the police and crime panel, and a member of the council's scrutiny committee is a member of the Norfolk community safety scrutiny committee and provides regular updates on their work to the council's scrutiny committee. The council's chief executive also chairs the Norfolk Community Safety Partnership.

The council's Locality Board involving key public service providers and other key partners in the city also looks at areas of concern for the city eg the effects of

national policy change or changes in approach from local service providers and opportunities for joint service redesign, shared provision and better co-ordination of public service delivery. Membership of the board includes representatives from the county council, police, probation, and representatives of the voluntary and business sectors.

- Incorporating good governance arrangements in respect of partnerships and other joint working and reflecting these in the council's overall governance arrangements:

The council demonstrates a strong commitment to working in partnership with other agencies to deliver priority outcomes and ensure that this partnership activity provides value for money and added value.

All key partnerships have been identified and are included in the partnership register. A corporate governance framework and toolkit has been developed for use by all key partnerships, to ensure that effective governance and risk management arrangements are in place.

The governance arrangements for key partnerships are kept under review and the results are reported to cabinet annually, together with an assessment of the effectiveness of the council's involvement in partnerships.

One of internal audit's significant reviews during 2014-15 was to assess the governance arrangements covering a number of shared services and joint ventures. Under its 'Changing Pace' operating model the council has entered into service delivery agreements with different partners, and the audit covered five key arrangements:

- LGSS for ICT, finance and revenues
- nplaw for legal services
- NPS Norwich for asset management and housing repairs
- Norwich Norse (Environmental) for a range of environmental services such as grounds maintenance and street cleansing
- Norse Environmental Waste Service for the processing and recycling of household waste.

The audit resulted in a 'substantial' assurance opinion, with five recommendations that are due to be implemented in 2015.

- Risk management and business continuity:

The council's risk management policy was updated in December 2014 and is available to all staff via the intranet.

Key corporate risks that may impact on the council's priorities have been identified and included in the corporate risk register, which is kept under review and updated as necessary by the corporate leadership team and reported to audit committee and cabinet.

Service risks are included in service plans and are reviewed by departmental management teams. Any risks that are considered to be of a corporate nature are escalated to the corporate leadership team for possible inclusion in the corporate risk register.

The council has implemented a performance management system which includes risk management, which enables corporate and service risks to be recorded and monitored by management.

The council has a corporate business continuity plan for the effective management of business continuity issues, in order to ensure the continued delivery of services. Both business continuity and the management of major contracts are included in the corporate risk register. An updated business continuity policy and framework was approved by Cabinet on 25 June 2014.

#### **4. Review of effectiveness**

Norwich City Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive heads within the council who have responsibility for the development and maintenance of the governance environment, the LGSS head of audit and risk's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

The following is a brief description of the roles and processes that have been applied in evaluating the effectiveness of the governance framework:

##### **The council and cabinet**

In February 2015 the council approved the new corporate plan 2015-2020, which will be reviewed each year in line with the medium term financial strategy and in parallel to the development of the budget for the following year to ensure the necessary resources are in place for its delivery.

The cabinet approves the medium term financial strategy which provides the financial structure for the policy and budget framework, corporate planning, annual service planning and budget setting.

During 2014-15 the cabinet continued with its approach to developing the future priorities and shape of the organisation to meet the council's savings requirements.

Quarterly performance monitoring reports are presented to scrutiny committee and cabinet – cabinet also receives budget monitoring reports.

Performance monitoring reports during 2014-15 covered achievement against the council's detailed priority actions and performance measures detailed in the corporate plan 2012-15.

The council's constitution working party recommends to cabinet and council any changes to the constitution. A fundamental review of the constitution continued in

2014-15, overseen by the corporate governance group which is chaired by the executive head of strategy, people and democracy. There is a documented plan covering all articles and appendices – the major change during 2014-15 was to update the council's code of governance to include the additional governance requirements from the CIPFA statement on the role of the chief financial officer in local government.

### **The scrutiny committee**

The overview and scrutiny function is exercised by the scrutiny committee. Procedure rules and terms of reference include the general remit to maintain an overview of the discharge of the council's executive functions and the right to review council policies. The statutory annual report on the work of scrutiny committee in 2014-15 was presented to scrutiny committee on 19 March 2015 and was presented to council on 23 June 2015.

### **The audit committee**

The council has an audit committee with terms of reference which cover internal and external audit matters, risk management arrangements, corporate governance including internal control arrangements and the annual governance statement, anti-fraud and corruption arrangements, and the statement of accounts.

The committee receives reports on corporate risks, the work of internal audit, including the LGSS head of internal audit's annual report, and external audit reports, letters and briefings. It also reviews and approves the annual governance statement.

In line with good practice, the annual report on the work of the audit committee in 2014-15 was presented to audit committee on 23 June 2015 and will be presented to a future council. The report concludes that the committee has been effective in undertaking the functions set out in its terms of reference, in accordance with the council's procedure rules and the Accounts and Audit Regulations 2015.

### **The standards committee and monitoring officer**

The council has a standards committee with terms of reference to promote and maintain high standards of conduct by members and co-opted members of the council and to assist members and co-opted members to observe the council's code of conduct.

The standards committee is supported by the monitoring officer, whose duties include the promotion of ethics and standards across the council, maintaining the constitution, and ensuring compliance with relevant laws, regulations and policies. The monitoring officer is a statutory appointment, and the current responsibilities of this role rest with the nominated officer from npLaw.

The monitoring officer's annual report supports the assurance statements included in the annual governance statement. It provides a review of the monitoring officer's work as part of the council's governance arrangements and system of internal control. Hugh Ferguson was appointed as monitoring officer in November 2014. His annual report concludes that the systems of internal control administered by the

monitoring officer, including the code of corporate governance and the council's constitution, were adequate and effective during the period covered by this interim report for the purposes of the latest regulations.

### **Chief finance officer**

The chief finance officer is a statutory appointment, and during 2014-15 the responsibilities of this role were sourced through the agreement with LGSS. Duties include the proper administration of the financial affairs of the council, contributing to the effective leadership of the council as member of the corporate leadership team, ensuring that expenditure is lawful and within resources, advising on systems of internal control, and supporting the audit committee.

Under the partnership and delegation agreement the council and LGSS work together to continually improve financial management practices and processes to deliver sound financial governance. This is evidenced by the fact that the external auditors issued unqualified audit opinions on the financial statements and value for money conclusion in 2012-13 and 2013-14.

### **Internal audit**

Internal audit is an assurance function that provides an independent and objective opinion to the council on the control environment. The objectives of internal audit have been set out in terms of reference which have been approved by the audit committee.

Under the partnership and delegation agreement, for 2014-15 the internal audit function was provided by LGSS.

The LGSS head of internal audit's annual report to the audit committee includes an opinion on the overall adequacy and effectiveness of the council's internal control environment.

The LGSS head of internal audit's annual report was presented to audit committee in June 2015; the audit opinion concluded that there was substantial assurance on the council's internal control environment for 2014-15.

### **Corporate governance group**

This is a quarterly internal officer group, chaired by the executive head of business relationship management and democracy, which is responsible for reviewing all aspects of the council's governance arrangements. Other members of the group are the chief finance officer, monitoring officer, head of HR and Learning and local LGSS audit manager.

### **Other explicit review/assurance mechanisms**

#### External audit

Under the government's local public audit regime the Audit Commission awarded contracts for work previously carried out by the Commission's own audit practice. As

a result Ernst & Young (now EY) became the appointed external auditor from 1 September 2012.

EY's audit results report (ISA260) for 2013-14 was presented to audit committee on 23 September 2014. The annual audit letter 2013-14 was presented to audit committee on 18 November 2014. The annual report on the certification of claims and returns 2013-14 was presented to audit committee on 20 January 2015.

For 2013-14 EY issued unqualified audit opinions on the financial statements, value for money conclusion and whole of government accounts. There were no significant issues other than the ongoing control weaknesses regarding property, plant and equipment accounting records (fixed assets register) which have already been reported to audit committee.

#### Improvement and efficiency

The council initially received external verification of our improvement and efficiency work and our changing pace blueprint (operating model) for the future through a successful peer challenge in March 2012, supported by the LGA. The peer challenge team said:

*"There is little doubt that Norwich City Council has been on an impressive journey of improvement over recent years. The organisation is rightly proud of that.*

*The pride, passion and desire to succeed for the people of Norwich are clearly evident and will be a key asset as you move forward.*

*A range of notable service improvements, better outcomes and budget savings can be evidenced as a result of the journey you have been on. The housing service has improved vastly and there have been notable improvements in other services such as waste recycling*

*Partners are beginning to recognise how far the council has come. You now have a reputation as an organisation who delivers on promises.*

*You are now an organisation that others are signposted to and a place that others visit and learn from.*

*We think the philosophy and principles of your proposed new operating model are relevant, appropriate and realistic given the political priorities, challenges and context in Norwich."*

This external recognition continued in March 2013 when the council:

- Won the Gold Award for 'Delivering through efficiency' in the Improvement and Efficiency Awards 2013 in recognition of the significant savings we have delivered while continuing to improve performance.
- Was highly commended in the Local Government Chronicle awards 2013 where we came second in the Most Improved Council of the Year Category.

In March 2014, the council received even further external recognition through winning the following two prestigious national awards:

- Gold Award for overall 'Council of the Year' in the iESE Improvement and Efficiency Awards 2014.
- Local Government Chronicle (LGC) Award for 'Most Improved Council' 2014.

Cllr Paul Bettison, chair of iESE, said: 'I'd like to offer my congratulations to Norwich City Council. A truly outstanding local authority, it has grown from a once poor performer to one that now boasts savings proportionally higher than many much larger authorities. Following a whole culture and systems change across the organisation, its innovative solutions and thinking 'outside of the box' has earned high credibility with both residents and businesses".

LGC judges said: "Our winner in the Most Improved Council category had formed a strong partnership with a wide range of stakeholders and showed a compelling narrative of leadership improvement that has left it able to punch well above its weight. Congratulations to Norwich City Council."

In April 2014, the council found out it had also been formally commended by the judges in the MJ's overall award of 'Best Achieving Council' 2014.

In April 2015, the council was selected as a finalist in the MJ Local Government Achievement Awards 2015, for 'Best Achieving Council'.

Also, in recent months iESE have undertaken a corporate health check of the council, and a review of efficiency has been undertaken by Newton Europe, both with positive results.

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We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below.

## **5. Significant governance issues**

The following is an outline of the significant issues arising from the review of effectiveness and the actions taken or proposed to deal with them (committee reports where mentioned, and minutes, can be found at [www.norwich.gov.uk](http://www.norwich.gov.uk)):

### **EY's annual audit letter 2013-14**

EY's annual audit letter was presented to audit committee on 18 November 2014. EY issued an unqualified audit opinion on the financial statements and an unqualified value for money conclusion.



Most of the significant risks listed under key findings were satisfactorily addressed, the only unresolved issue relating to weaknesses in the spreadsheets used as a fixed asset register. This should be resolved when the current financial IT system is replaced in 2015-16, but EY pointed out that further delays in implementing a new fixed asset register will make the task more difficult as officers will have to consider data as far back as 2007, when the revaluation reserve was introduced.

The value for money conclusion was unqualified, but EY highlighted the significant financial challenges facing the council in the next three to four years. The main areas of uncertainty are future levels of business rates income, new homes bonus and government funding. EY acknowledged that the council has a good track record of delivering savings and meeting its budget, but Members will have to carefully consider the council's financial position and service levels in future years

### **Internal audit assurance reviews**

No reports issued in 2014-15 resulted in either a "no assurance" or "limited assurance" opinion.

The following four audits resulted in "moderate assurance", further details of which are included in the head of internal audit's annual audit report:

- Provision market
- BACSTEL-IP system
- Parking Gateway IT system
- Civica IT system

Progress on implementing significant recommendations from internal audit reviews is regularly reported to audit committee, most recently to the meeting on 17 March 2015

### **Progress on the action plan from the previous governance statement**

Actions taken to address the significant issues from the 2013-14 governance statement are as follows:

#### Review of the council's constitution

The programme for updating the council's constitution continued during 2014-15, with the only major update being to the council's code of governance. In practice the constitution will be kept under constant review so going forward it is not practical to state a completion date.

#### EY's annual audit letter 2012-13

There was one unresolved issue relating to the accuracy of the fixed asset register. This is linked to the ongoing project to replace the current financial IT system, and cabinet 25 June 2014 resolved to delegate to the executive head of business relationship management, in consultation with the deputy leader and resources portfolio holder, the authority to amend the agreement with LGSS to include the implementation of a new finance system. Options were considered by CLT on 1

April 2015 where it was agreed that the preferred solution was a stand-alone system hosted in the main LGSS data centres and utilising the LGSS shared service licensing agreement. Cabinet agreed on 10 June 2015 to recommend to council the transfer of funding from capital reserves to the capital programme to fund the new system. Subject to council agreement to the funding transfer, officers from the council and LGSS IT will commence the implementation in 2015-16.

Internal audit assurance reviews

Previously reported issues relating to the garden waste scheme were satisfactorily addressed during 2013-14 and 2014-15. The associated IT project to enable customers to request and pay for the service online is at the testing stage.

The outstanding actions from the review of the Norman Centre were implemented during 2014-15.

The recommendations in relation to permit parking and controlled stationery are complete, with one exception relating to the implementation of the Permit Gateway IT system, which is ongoing.

**6. Statement by Leader of the Council and Chief Executive**

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

.....

Alan Waters  
Leader of the Council

Date:  
.....

.....

Laura McGillivray  
Chief Executive

Date:  
.....

<b>Report to</b>	Audit committee 23 June 2015	<b>Item</b>
<b>Report of</b>	Head of internal audit and risk management, LGSS	<b>9</b>
<b>Subject</b>	Internal audit and fraud team 2014-15 – March 2015 update	

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## Purpose

To advise members of the work of internal audit in March 2015 and progress against the 2014-15 internal audit plan, together with the work of the fraud team in 2014-15.

## Recommendations

To note:

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

## Corporate and service priorities

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

## Financial implications

None.

**Ward/s:** All wards

**Cabinet member:** Councillor Stonard - Resources and income generation

## Contact officers

Neil Hunter, head of internal audit (LGSS) 01223 715317

Steve Dowson, internal audit manager (LGSS) 01603 212575

## Background documents

None

# Report

## Background

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

## Audit assurance work March 2015

4. The main areas of assurance work in March were progressing audits of payroll, shared services, CIL income, cemeteries, housing rents, licensing, and home improvements.
5. Draft reports were issued for payroll, shared services and CIL income. Responses were received in respect of shared services and CIL income, enabling final reports to be issued in April. Details of these findings are included in the update report for April and May included on today's agenda. A response is still awaited regarding the payroll draft report.
6. Other assurance work which is in progress is shown in **appendix 1**.

## Non-assurance work

7. The main areas of non-assurance work in March were:
  - Updating the council's corporate risk register following review by CLT and reporting the results of the review to audit committee on 17 March.

## Matters arising from previous meeting

8. Emergency planning laptops – in May the emergency planning manager wrote to LGSS IT to confirm that, after testing the laptops, "we finally have a successful conclusion. All applications are working satisfactorily, including GIS and the Buffer Tool."
9. CLT previously agreed to adopt the LGSS anti-fraud and corruption policy and fraud response plan, subject to there being no conflict with the council's disciplinary procedures. Since then the corporate governance group has agreed that the council's whistleblowing and anti-bribery policies also need to be updated to take account of recent legislative changes. As the updates will need to go through the consultative

process it is proposed to report progress on updating these policies to your September meeting.

## **Progress against the audit plan**

10. As reported to previous meetings, implementation of the planned restructure of the LGSS internal audit service has not been finalised, which has had an impact on delivery of the audit plan.
11. As a result, the original audit plan was revised in consultation with the chief finance officer. Details of the revised audit plan for 2014-15 are shown at **appendix 1**, showing a plan requirement of 545 days.
12. To the end of March 2015, 394 days has been spent on audit assurance reviews. This includes work on audits started at the end of 2013-14 and completed in 2014-15. Further details can be found in the head of internal audit's annual report on today's agenda.
13. In addition, 101 days were spent on non-assurance work, which includes risk management and input to the plan from the head of internal audit which were not originally included.

## **Summary of fraud team work 2014-15**

14. A summary of work by the fraud team in 2014-15 follows (figures in brackets are for the 2013-14 comparator):
  - Number of benefit cases referred to the fraud team – 596 (898).
  - Number of referred benefit cases investigated – 411 (511).
  - Number of benefit sanctions and prosecutions – 96 (40). To put this in context, there are approximately 18,000 benefit claimants.
15. As at the end of March the fraud team had identified benefit overpayments in excess of £594,000. The annual KPI for this is £160,000 (approximate running costs of the fraud team), so this measure was substantially exceeded. Each case of fraud or customer error results in a subsidy payment of 40% of the total overpaid amount to the authority, therefore the team paid for itself in subsidy returns alone (£237,000).
16. The fraud team also had a major role in successful investigations into alleged tenancy frauds, with the result that six council properties were recovered.
17. LGSS was successful in securing funding from DCLG to tackle non-welfare frauds across the organisation (one of 59 successful bidders out of 160 bids). The fraud team leader based at Norwich had a major role in the background work for the bid.
18. The team carried out considerable work in preparation for the migration of benefit fraud work to the DWP from 1 April, including face-to-face meetings with the DWP and meetings with a number of service leads to work on information sharing and planning for workflow after the transfer.

## **National fraud initiative (NFI)**

19. All reports from the 2012-13 exercise have now been closed.
20. For the 2014-15 exercise, 2,306 matches for possible investigation were released at the end of January, with 465 supplementary matches released since then. Work is well under way to investigate these – to date 24 of the 85 reports (28%) have been closed with no fraud being detected.

## **Latest counter fraud developments**

21. Recruitment to posts from the DCLG counter-fraud fund is in progress, and two of the three counter fraud managers have been appointed. The LGSS head of audit and counter fraud staff will meet officers from the council in June to discuss housing related counter fraud work at Norwich.
22. The LGSS fraud team at Norwich transferred to the DWP on 1 April. Any live benefit fraud cases at close of business on 26 March were transferred to the DWP for continuation of investigation. Any files at nplaw will remain there until their conclusion.
23. The council is currently exploring whether to retain membership of the National Anti-Fraud Network (NAFN), which offers searches for investigation and enforcement purposes at preferential rates, and was mainly used by the LGSS fraud team historically. NAFN has been asked to demonstrate the benefits of the service to a variety of officers at the council in the near future.

LGSS Internal Audit - Revised Internal Audit Plan for Norwich City Council 2014-15			
	Projected	Actual to	
Audit Assurance Work	days	Wk 52	Latest position / comments
<b>Fundamental systems</b>			
Purchasing	26	26.0	Complete
Accounts receivable (debtors)	25	25.2	In progress
NCC payroll	10	10.2	Draft report issued
Housing rents/arrears	10	13.1	In progress
Housing & council tax benefits	10	0.0	Started in 2015-16
Council tax	5	0.3	In progress
NNDR	5	0.1	Completed in 2015--16
<b>Sub-total</b>	<b>91</b>	<b>74.9</b>	
Income generation	20	4.0	In progress
Joint ventures	20	29.9	Complete
Procurement & contract management arrangements:			Allowance for possible input to tendering, monitoring, procedural compliance. Involvement in specific contracts. Plus presence on project teams
New bank contract	20	20.7	Complete
NPS	20	3.5	Preparation
Parking permits	1	0.8	
Probity	16	3.9	Income from street trading complete
<b>Sub-total</b>	<b>97</b>	<b>62.8</b>	
<b>Business relationship management</b>			
Council tax & NNDR systems	15	1.4	VFM review - impact of scheme changes on collection costs
ICT audits:	75	75.7	Incl. embedded assurance - Corporate Information Assurance Group; input to IT audits
Civica			Complete
Northgate			Complete
Workforce			Complete
Parking Gateway			Complete
Bacstel IP			Complete
<b>Sub-total</b>	<b>90</b>	<b>77.1</b>	
<b>Operations</b>			
CIL income	10	9.3	Complete
Provision market	13	11.8	Complete
Licensing	10	7.0	In progress
Leasehold services	15	0.1	Slipped to 2015-16
Cemeteries	15	18.4	In progress
Home improvements	15	20.8	In progress
Parking income	15	19.2	In progress
<b>Sub-total</b>	<b>93</b>	<b>86.6</b>	

<b>Audit Assurance Work</b>	<b>Projected days</b>	<b>Actual to Wk 52</b>	<b>Latest position / comments</b>
<b>Customers, communications &amp; culture</b>			
Land charges	15	15.3	Complete
<b>Sub-total</b>	<b>15</b>	<b>15.3</b>	
<b>Non-specific</b>			
Ad-hoc investigations	4	6.5	Contingency (no major investigations to date)
To complete 2013-14 plan	54		
Managing customer demand		6.1	Complete
Payroll		3.9	Complete
NNDR		5.4	Complete
C Tax		5.2	Complete
Housing benefits		5.6	Complete
Treasury management		0.6	Complete
Purchase cards		13.9	Complete
Accounts payable		12.3	Complete
Follow-ups	18	17.9	Follow ups required by PSIAS
<b>Sub-total</b>	<b>76</b>	<b>77.4</b>	
<b>Total for audit assurance work</b>	<b>462</b>	<b>394.1</b>	
<b>Consultancy &amp; non-assurance work</b>			
Corporate governance	17	15.9	Preparation of AGS; corporate governance group; update code of governance
Anti-fraud and NFI work	41	36.5	Fraud risks; key contact for NFI 2014-15 (upload data & ensure matches investigated)
Advice, unplanned work requests	25	23.8	Contingency
Risk management	0	14.6	
Unallocated - head of internal audit	0	10.1	
<b>Total for consultancy/non-assurance work</b>	<b>83</b>	<b>100.9</b>	
<b>Total Allocated Days</b>	<b>545</b>	<b>495.0</b>	



**Report to**     Audit committee  
                    23 June 2015  
**Report of**     Head of internal audit and risk management, LGSS  
**Subject**       Annual audit report on internal audit and fraud 2014-15

**Item**

10

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**Purpose**

To inform members of the head of internal audit's annual audit opinion for 2013-14 and the work of internal audit and the fraud team which supports the opinion. The report and the audit opinion within it form part of the evidence to support the council's annual governance statement 2013-14.

**Recommendation**

To receive the annual audit opinion and note the work of internal audit and the fraud team for 2013-14.

**Corporate and service priorities**

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

**Ward/s:** All wards

**Cabinet member:** Councillor Stonard – Resources and income generation

**Contact officers**

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

Steve Dowson, internal audit manager LGSS                     01603 21 2575

**Background documents**

None.

# Report

## Background

1. *“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”* (Public Sector Internal Audit Standards).
2. Under the Accounts and Audit Regulations 2015, the council *“must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”*
3. In 2012 the relevant internal audit standard setters adopted a common set of standards across the public sector – the *Public Sector Internal Audit Standards* (PSIAS), which came into effect on 1 April 2013.
4. The standards require that the head of internal audit presents an annual report to an authority’s audit committee, which in practice is timed to support the authority’s annual governance statement.
5. The annual report is a summary of all internal audit work carried out during the year. Each individual audit report is discussed at its draft stage and agreed action plans put in place. The annual report therefore represents in summary form a considerable degree of consultation with managers during the year.
6. Internal audit work is carried out to fulfil the audit plan, endorsed by the committee at its meeting on 11 March 2014 and since revised in consultation with the chief finance officer. The audit plan is derived from corporate and service risk registers as well as any inherent risks such as a susceptibility to fraud associated with an individual system. Internal audit work therefore seeks to give assurance that the risks identified in the registers and within the systems risk matrix are mitigated by a sound system of internal control.
7. This report provides members of the audit committee with:
  - the head of internal audit opinion for 2014-15;
  - an overview of the council’s risk exposure and its overall system of internal control;
  - the work undertaken by internal audit in 2014-15;
  - review the outcomes from key internal audit reports;
  - an overview of the performance of internal audit;
  - the work of the fraud team in 2014-15.

# INTERNAL AUDIT REPORT FOR 2014-15

## Head of Internal Audit Opinion

8. This report gives a summary of the work carried out by internal audit in the financial year 2014-15 and the results of that work. From the work undertaken during the year, my overall opinion on the council's system of internal control is that:

Substantial assurance can be given that there is generally a sound system of internal control, designed to meet the council's objectives and that controls are generally being applied consistently. This is the same level of assurance that was assigned in 2013-14.

Controls relating to key financial systems were concluded to be generally at a "Substantial" level.

9. The basis for my opinion is derived from an assessment of the range of individual opinions arising from assignments, contained within the internal audit risk-based plan that have been undertaken throughout the year. This assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses. A summary of audit opinions is shown in the following table:

Table 1 – Summary of Audit Opinions 2014 - 15

Category	Full	Substantial	Moderate	Limited	No
Financial systems	2	7	0	0	0
Other audits	0	6	5	0	0
<b>Total</b>	<b>2</b>	<b>13</b>	<b>5</b>	<b>0</b>	<b>0</b>
<b>Summary (with 13-14 comparison)</b>	<b>10% (8%)</b>	<b>65% (63%)</b>	<b>25% (21%)</b>	<b>0% (4%)</b>	<b>0% (4%)</b>

(Includes 2013-14 audits finalised in 2014-15)

## Review of Audit Coverage

### Audit Opinion on Individual Audits

10. The committee is reminded that the following assurance opinions can be assigned for an audit:

Table 2 – Assurance Categories

Level of Assurance	Definition
Full Assurance	There is a sound system of control designed to address the relevant risks with controls being consistently applied.
Substantial Assurance	There is a sound system of control, designed to address the relevant risks, but there is evidence of non-compliance with some of the controls.
Moderate Assurance	Whilst there is a basically a sound system of control, designed to address the relevant risks, there are weaknesses in the system, that leave some risks not addressed and there is evidence of non-compliance with some of the controls.
Limited Assurance	The system of control is weak and there is evidence of non-compliance with the controls that do exist which may result in the relevant risks not being managed.
No Assurance	There is no system of internal control. Risks are not being managed.

11. Audit reports issued in 2014 -15, other than those relating to investigations or project reviews, include one of the above audit opinions. Embedded assurance applies to projects / audits where auditors attended project boards or other working groups. Unless otherwise stated, all individual reports represented in this annual report are final reports and have been agreed with management, together with the accompanying action plans.

### Audit assurance work

The status of 2014-15 audits is shown in Table 3 below:

Table 3 – Reports Issued 2014-15

Status	Number
2014-15 Final reports / embedded assurances completed to date	22*
Substantially complete, including at draft stage	8

\* Includes 2013-14 reports finalised during 2014-15

12. Table 4 below details the assurance levels, or other description where an assurance opinion was not appropriate, of all audits reported on in 2014-15.

Table 4 – Summary of Audit Opinions 2014-15

Service / Audit	Audit Opinion / Description
<b>Financial systems:</b>	
Oracle Purchasing	Substantial
Payroll	Substantial
NNDR x 2	Full
Housing benefits	Substantial
Treasury and cash flow management	Substantial
Purchase cards	Substantial
Council tax	Substantial
Accounts Payable	Substantial
<b>Corporate:</b>	
Governance of shared services	Substantial
New bank contract	Embedded assurance
<b>Business relationship management:</b>	
Corporate information assurance	Embedded assurance
ICT audits:	
Civica (workflow)	Moderate
Northgate (revenues & benefits)	Moderate
Workforce (HR)	Substantial
Parking Gateway (permits)	Moderate
BACSTEL-IP (BACS)	Moderate
<b>Regeneration &amp; development:</b>	
CIL income	Substantial
<b>Strategy, people &amp; neighbourhoods:</b>	
Provision market	Moderate
Probity – income from street trading	Substantial
<b>Customers, communications and culture:</b>	
Managing customer demand	Substantial
Land charges	Substantial

13. Outlined below is a summary of the audits that have been finalised during the year where an assurance opinion of moderate has been given. These represent a summary of the findings for audits leading to:

- Red rated recommendations (action that is considered imperative to ensure that the council is not exposed to high risks); and / or
- Amber rated recommendations (action that is considered necessary to avoid exposing the council to significant risks).

14. The committee should note that the majority of these issues have previously been reported as part of the defined cycle of update reports provided to the audit committee. The purpose of this section of the report is to give assurance to the committee as to the effective progress being made to address the weaknesses identified within the individual reports.

#### **Provision market – moderate assurance**

15. There was assurance that stall holders are paying the correct rent as set out in their leases, plus service charges; debt levels are fairly static, with regular meetings held between the markets and sundry income teams to manage outstanding debts; and health and safety and insurance matters are mostly satisfactory. However, rents have not been reviewed for a number of years, and a few historical discrepancies were found between the rents charged and the rent according to the zoning system. In addition, although there are adequate arrangements for following up debts, progress on recovery is not summarised anywhere, which could cause difficulties in the absence of key staff. Finally, the market traders' handbook has not been updated for a while, and arrangements to ensure that existing stall holders have adequate public liability insurance need to be tightened. Eight recommendations were agreed, two of which are already in place. The remainder are due to be implemented by June 2015, and a follow up review has been scheduled for then.

#### **Civica IT system – moderate assurance**

16. Civica is the corporate document management and workflow system used by two thirds of council employees and it indirectly interfaces with other council application systems. There was assurance across most of the areas including input, processing and output controls; system interface controls; and backup and disaster recovery. However, there are no operational guidance notes for some of the modules; a possible upgrade had not been implemented; procedure manuals out of date; several major incidents logged. Management was already aware of the issues, and the system is in the process of being upgraded. Six recommendations were agreed, some of which are complete, while others are dependent on the system upgrade in June 2015. A follow up review has been scheduled for then.

#### **Northgate IT system – moderate assurance**

17. The Northgate system supports the back office operation of Revenue & Benefits processes. There was assurance across most of the areas including system administration procedures including roles and responsibilities; output controls; system interface controls; and backup and disaster recovery. However, procedure for recording changes to corporate systems is incomplete; the audit log functionality on Northgate is currently disabled and audit log information is not maintained on the system and some risks specific to application systems have not been identified. Five recommendations were made, three of which are complete. One finding was disputed by the service and management is currently considering its response. The audit log issue is complex and would require a significant commitment from LGSS and Norwich officers. Management is currently considering the risks and the options.

#### **Parking Gateway IT system – moderate assurance**

18. The Parking Gateway system is used to record, administer and progress all Penalty Charge Notices (PCNs) issued as part of the authority's on-and off-street

enforcement activities. The system supports the back office operation of Parking Services' processes and contains modules for processing and managing various operations in the department. There was assurance across most of the areas including system administration procedures; input and output controls; system interface controls; and backup and disaster recovery. However, the procedure for recording changes to corporate systems is incomplete; some documentary evidence for system upgrade testing is incomplete and procedure manuals not subsequently updated; incomplete audit logs; and some risks specific to application systems have not been identified. Five recommendations were agreed which are now complete.

### **BACSTEL-IP system – moderate assurance**

19. BACSTEL-IP is the channel for accessing BACS electronic funds transfer services using the BACS payment service website or using the BACS approved software for BACSTEL-IP. There was assurance over accuracy and completeness of BACS output reports; management and monitoring information; and backup and business continuity procedures. However, Some BACS procedure documents are incomplete or out of date, and have not been consolidated into a single document; the benefits team does not check and authorise weekly benefits payment files that are created from the Northgate system; some of the authorised forms that were used to issue payment smartcard to officers could not be located; and inadequate segregation of duties in the BACS process for benefits payment file creation and transmission. Six recommendations were agreed which were due to be implemented by the end of December 2014. A follow up review has been scheduled for June 2015.

### **Other information assurance**

20. In addition to the reviews referred to in paragraphs 16-19, the audit manager sits on the corporate information assurance group, which monitored progress to comply with public sector network (PSN) and payment card industry (PCI) compliance, both of which have now been achieved. The group also reviews network issues, data protection, information risk and assurance, security breaches, and information management.

### **Project work and special reviews**

21. During 2014-15, internal audit has continued to be responsive to requests for support from managers in the completion of unplanned reviews and special investigations. The time required to complete these reviews has been accommodated in the plan by the time set aside for special investigations and the contingency element.
22. A member of audit was part of the project team set up to ensure a successful transfer of the council's bank account, following the decision by the Co-operative Bank to cease local authority banking.
23. Internal audit was not involved in any major investigations during the year. There were a small number of low-level data breaches which were reviewed by the executive head of business relationship management and democracy (as the council's senior information risk officer) and involved the audit manager, in accordance with the council's incident response plan. No cases led to any disciplinary action, but several actions were put in place to reduce the risk of recurrence.

## Follow ups

24. Internal audit reviews are followed up to ensure that recommendations have been implemented; the results of each follow up are reported to audit committee. A summary of the status of significant recommendations from audits followed up, plus those previously shown as incomplete, is summarised in Table 5:

Table 5: Implementation of Audit Recommendations

	Red		Amber	
Audit Title	Complete	Incomplete	Complete	Incomplete
Planning income	1		2	1
Disaster recovery			2	
Parking Gateway IT system			5	
Purchase cards			1	
Norman Centre			1	
Emergency planning			3	
Pool cars				1
The Halls			1	
Council tax				1
NNDR			1	1
Housing benefits				
Sports facilities				
<b>TOTALS</b>	<b>1</b>	<b>0</b>		

## Other areas of non-assurance work

25. Other areas of non-assurance and consultancy work which were carried out in 2014-15 are as follows:

- National fraud initiative (see below). The audit manager (Norwich) is the key contact for each year's data matching exercises, and ensured that all data was correctly submitted and co-ordinated the proper investigation of the subsequent matches.
- Prepared the annual governance statement and supporting evidence in conjunction with heads of service and CLT.
- Completed the Audit Commission's annual fraud survey.
- Maintained the corporate risk register in conjunction with heads of service and reported to CLT, audit committee and cabinet
- Updated the council's risk management policy for approval by cabinet.

## National Fraud Initiative (NFI) 2012-13

26. This is the main data matching exercise by the Audit Commission which occurs every two years, the results for which were received at the end of January 2013.



27. There were 74 reports, mainly covering benefits and housing, and a total of 2,677 matches requiring possible investigation.
28. The majority of matches related to housing benefit, which were investigated during 2013-14 and 2014-15 by the fraud team. Staff in various service areas also continued to review other matches to identify any further action that needed to be taken. As a result **all** of the reports have now been closed.
29. The exercise uncovered one housing fraud which led to the recovery of a council property.
30. In addition, £166,518 of housing benefit overpayments was identified. Eleven cases totalling £79,221 were due to fraud, resulting in four prosecutions, five administrative penalties and two official cautions. 44 cases totalling £87,297 were due to either official error (19) or customer error (25). All the overpayments are recoverable by reductions in weekly benefits.
31. Finally, a duplicate creditor payment of £2993 from 2010 was identified. Following investigations by the audit manager and other council staff a full refund was received.
32. Audit committee receives regular updates on the status of NFI investigations.

### **National Fraud Initiative (NFI) 2014-15**

33. The 2014-15 NFI exercise was in two parts. One was the council tax single person discount exercise which now occurs annually and separately to the main NFI exercise.
34. The results were made available in December 2014 and 2,533 matches were passed to the revenues & benefits operations manager to consider options for investigating; there is no assumption of fraud just because a match appears in the results.
35. The results from the main NFI exercise were made available at the end of January 2015, and there have been some supplementary releases since then, resulting in 2,771 matches for possible investigation. Work is well under way to investigate these – to date 24 of the 85 reports (28%) have been closed with no fraud being detected.

### **Performance indicators**

36. The following shows the key performance indicators in the service specification with Norwich and the results for 2014-15:
  - Internal audit plan to be endorsed by CLT and audit committee by 30th June each year: The plan for 2014-15 was endorsed in March 2014 (the plan for 2013-14 was endorsed by audit committee in March 2013).
  - % of internal audit plan delivered – target 100%. Actual 77% in terms of audits to draft stage (2013-14 77%); 90% in terms of days delivered against the plan.

The original audit plan was based on the planned restructure of the internal audit and risk service being in place from April 2014; however, this has been delayed, with the result that the planned resource available during 2014-15 was less than anticipated.

- % of productive time achieved by the division against the total resource days available – target 85%. Productive time was 83.4% (2013-14 83.2%).  
Productivity is classified as available time (ie excluding annual leave, bank holidays, sickness) spent working on audits, governance and risk management, as opposed to non-audit time, which includes overheads such as administration and training.
- Draft IA reports issued within 15 days of receipt of agreed management comments: 100% (2013-14 100%).
- Final reports issued within 10 days of receipt of management comments: 100% (2013-14 100%).
- Progress reports to audit committee 6 monthly - achieved. Progress reports are presented to every audit committee, which usually meets five times a year (same in 2013-14).
- Reviews of the strategic risk register by CLT, cabinet and audit committee – achieved. The corporate risk register was regularly reviewed by CLT and presented to audit committee in July 2014, November 2014 and March 2015. In addition, the risk management policy was updated and approved by cabinet in December 2014, together with the latest corporate risk register.
- Although not part of the service specification, the audit manager has an appraisal target to achieve an average score of 4 out of 5 for post-audit feedback questionnaires. The average score achieved was 4.4 (4.9 in 2013-14).

## **Professional Standards**

37. Public Sector Internal Audit Standards (PSIAS) were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) from April 2013. The standards are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of Internal Audit across the public sector.

38. The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector;
- Set basic principles for carrying out internal audit in the UK public sector;
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations;
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

39. A self-assessment against the standards was presented to audit committee in September 2014 and is summarised in the following table. It concluded that Internal Audit is broadly compliant.

Table 6 – PSIAS Self- Assessment 2014/15

**Attribute Standards:**

Ref	Standard	Ref	Description	Assessment
1000	Purpose, Authority and Responsibility	1010	Recognition of the Definition of Internal Auditing, the Code of Ethics and the Standards in the Internal Audit Charter	Compliant
1100	Independence and Objectivity	1110	Organisational Independence	Compliant
		1111	Direct Interaction with the Board	Compliant
		1120	Individual Objectivity	Compliant
		1130	Impairment to Independence or Objectivity	Compliant
1200	Proficiency and Professional Care	1210	Proficiency	Compliant
		1220	Due Professional Care	Compliant
		1230	Continuing Professional Development	Compliant
1300	Quality Assurance and Improvement Programme	1310	Requirements of the Q.A. and Improvement Programme	Mainly Compliant
		1311	Internal Assessments	Compliant
		1312	External Assessments	Not Compliant
		1320	Reporting on the Q.A. and Improvement Programme	Not Compliant
		1321	Confirms with International Standards	Not Compliant
		1322	Disclosure of Non-Conformance	Compliant

**Performance Standards:**

Ref	Standard	Ref	Description	Assessment
2000	Managing the Internal Audit Activity	2010	Planning	Compliant
		2020	Communication and Approval	Compliant
		2030	Resource Management	Compliant
		2040	Policies And Procedures	Compliant
		2050	Co-ordination	Compliant

		2060	Reporting to Senior Management and the Board	Compliant
2100	Nature of Work	2110	Governance	Compliant
		2120	Risk Management	Compliant
		2130	Control	Compliant
2200	Engagement Planning	2201	Planning Considerations	Compliant
		2210	Engagement Objectives	Compliant
		2220	Engagement Scope	Compliant
		2230	Engagement Resource Allocation	Compliant
		2240	Engagement Work Programme	Compliant
2300	Performing the Engagement	2310	Identifying Information	Compliant
		2320	Analysis and Evaluation	Compliant
		2330	Documenting Information	Compliant
		2340	Engagement Supervision	Compliant
2400	Communicating Results	2410	Criteria for Communicating	Compliant
		2420	Quality of Communications	Compliant
		2421	Errors and Omissions	Compliant
		2430	Compliance with International Standards	Not Compliant
		2431	Engagement Disclosure of Non—Conformance	Compliant
		2440	Disseminating Results	Compliant
		2450	Overall Opinions	Compliant
2500	Monitoring Progress			Compliant
2600	Resolution of Senior Management's Acceptance of Risks			Compliant

40. The outcome of the assessment is therefore generally positive with professional Internal Audit Standards being broadly complied with. Where there is less than full compliance, an action plan will be prepared and monitored during 2015-16.

## **Fraud team and counter fraud activity 2014-15**

41. The majority of the team's activities for 2014-15 continued to be related to benefit fraud investigations. However, 2014-15 was the last year for reporting benefit fraud cases as from 1 April 2015 this work has been undertaken by the Department for Work and Pensions (DWP) under the Single Fraud Investigation Service (SFIS) umbrella (the LGSS fraud team at Norwich transferred to the DWP on 1 April).
42. The team carried out considerable work in preparation for the transfer of benefit fraud work to the DWP, including face-to-face meetings with the DWP and meetings with a number of service leads to work on information sharing and planning for workflow after the transfer.
43. There remains a number of fraud risks outside of welfare, such as council tax, business rates, housing (application, tenancy, succession, right to buy), and procurement.
44. LGSS was successful in securing funding from DCLG to tackle non-welfare frauds across the partner organisations. The fraud team leader based at Norwich had a major role in the background work for the bid, which is based on developing a regional counter fraud centre of excellence. Some appointments have already been made, and the LGSS head of audit, together with counter fraud staff, will meet council officers in June 2015 to discuss housing-related counter fraud work at Norwich.

### **Continuing counter fraud initiatives - housing**

45. The visiting officer attached to the home options team carried out visits on behalf of the fraud team last year and continued to be an extremely useful resource. As well as conducting visits for the fraud team, he has also raised a number of concerns that have been passed on to other council departments and external government agencies. His vigilance has led to a reduction in the number of people on the council waiting list, by way of verification visits.

### **Liaison and joint working**

46. The team continued to work and liaise with the DWP fraud and compliance teams on a regular basis. This included invitation to joint-working, evidence gathering, interview and further action (i.e. prosecution).
47. As well as the DWP, the team worked with other government departments to tackle fraud and share concerns. These include the police, other councils, UK Border Agency and the Security Industry Authority.

### **Training provided by the fraud team**

48. Annual fraud awareness sessions were held with a number of front-line and back-of-house staff to make them aware of what the team investigates and how they can assist by raising concerns. A number of individuals followed this up by attending one-to-one sessions with the team leader to gain a better understanding of how the team operates and helping them make better quality referrals.

## **Fraud team performance**

49. For benefit purposes there are three types of proven fraud:

- Simple Caution is the offering of a warning for first time offenders and/or low level cases where the claimant has fully admitted the offence at interview;
- Administrative Penalty is either a 30% or 50% fine (depending on the period of the offence) and can be offered without a customer attending an interview under caution, as there is no requirement to admit an offence;
- Prosecution is used in more serious cases or where the customer has re-offended and it is in the hands of the courts what, if any, sentence to pass

50. In 2014-15 there were 596 referrals for benefit fraud, of which 411 required further investigation (898 and 511 respectively in 2013-14). In context, there are approximately 18,000 claiming benefit from Norwich City Council so the number of concerns about fraud is relatively low.

51. The team achieved 96 sanctions and prosecutions (40 in 2014-15), of which 79 were LGSS-led, as opposed to DWP-led or joint working.

52. The total overpaid benefit identified through fraud team activity was £594,237 (£249,151 in 2013-14).

53. In addition to the above the team had a major role in the recovery of six council dwellings as a result of investigations (two in 2014-15).

**Report to** Audit committee  
23 June 2015  
**Report of** Head of internal audit and risk management, LGSS  
**Subject** Internal audit 2015-16 – April to May update

**Item**

**11**

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### **Purpose**

To advise members of the work of internal audit between April and May 2015, and progress against the 2015-16 internal audit plan.

### **Recommendations**

- 1) To note the work of internal audit between April and May 2015
- 2) To note the progress on the internal audit plan
- 3) To note the council's response to the annual fraud survey 2014-15

### **Corporate and service priorities**

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

### **Financial implications**

None.

**Ward/s:** All wards

**Cabinet member:** Councillor Stonard – Resources and income generation

### **Contact officers**

Neil Hunter	01223 715317
Steve Dowson	01603 212575

### **Background documents**

None

# Report

## Background

1. The internal audit plan for 2015-16 was endorsed by members in March 2015.
2. This report covers the following areas:
  - audit assurance work April to May 2015
  - other areas of non-assurance and financial consultancy work
  - the audit plan 2015-16, showing progress against planned audits
  - the council's response to the annual fraud survey 2014-15
3. For each audit assurance review a report is presented to the relevant head of service, including recommended actions to be taken. Audits are subsequently followed up to ensure that the agreed actions have been implemented.

## Audit assurance work April to May 2015

4. The following areas were reported on between April and May, all of which were completion of audits started in 2014-15:
  - Shared services – substantial assurance. The model of service delivery adopted by the council includes a number of shared service/key partnership/joint venture arrangements. The audit reviewed the governance arrangements in place for five of the council's Platinum and Gold status contracts: LGSS; nplaw; NPS Norwich; Norwich Norse (Environmental); and Norse Environmental Waste Service, as well as consideration of the general council wide arrangements that are applicable to all contracts.

There was assurance over the following aspects: the governance framework relating to shared services; shared services consistent with corporate and service objectives; appropriate legal reviews of agreements; reporting of performance information; effective liaison with shared services; shared services and partnerships delivering savings and income to the council (through sharing of profit).

However, the service specification for Phase 2 of the NPS Norwich joint venture was found to include services that were no longer provided as part of the contract; there is little validation of performance information being undertaken; performance reporting in respect of NPS Norwich should be more tightly co-ordinated; and performance monitoring reports in respect of nplaw are not being received in the frequency specified in the agreement.

Five recommendations were agreed, which are due to be implemented by July 2015.

- Community infrastructure levy (CIL) income – substantial assurance. CIL is a statutory mechanism to allow charging on new buildings and extensions to help pay for supporting infrastructure in the greater Norwich area, necessary to deliver the Joint Core Strategy.



The internal audit plan for 2013-14 included a review of the CIL controls as designed, but without significant testing, as there were insufficient transactions. Since the scheme was implemented there have been nearly 100 planning applications subject to CIL; a sample of these was tested to ensure that the controls are operating satisfactorily.

There was assurance over the following: previously agreed audit recommendations implemented; controls in place to identify developments liable for CIL; CIL is registered as a land charge and subsequently removed upon payment; and correct return of the annual CIL report.

However, there were a few minor weaknesses, as follows: there is no cover for the planning obligations officer in finance, and process notes are incomplete; time recording records are insufficient to support the 5% administration fee that the council can retain; and breaches of conditions relating to non-residential developments may not be identified.

Four recommendations were made, which are due to be implemented by the end of December 2015.

- National non-domestic rates (NNDR) – full assurance. The administration and collection of NNDR is carried out by LGSS under the shared service agreement with the council.

There was assurance across the arrangements in place for maintaining the NNDR database; exemptions and reliefs applied to business rate accounts; monitoring of arrears and collection rates; refunds and write-offs; reconciliation of the NNDR database to the general ledger at year end; and access to systems.

However, one minor control weakness was identified: the procedure notes in relation to the daily cash reconciliation to ICON are in hard copy and were drafted in 2006. Although updates have been noted on the procedures by hand, the notes are in need of updating and being made available electronically.

One recommendation was agreed which is due to be implemented by September 2015.

- Northgate IT system – moderate assurance. The Northgate system supports the back office operation of Revenue & Benefits processes.

There was assurance across most of the areas including system administration procedures including roles and responsibilities; output controls; system interface controls; and backup and disaster recovery.

However, procedure for recording changes to corporate systems is incomplete; the audit log functionality on Northgate is currently disabled and audit log information is not maintained on the system and some risks specific to application systems have not been identified. Five recommendations were made, three of which are complete. One finding was disputed by the service and management is currently considering its response. The audit log issue is complex and would require a significant commitment from LGSS and Norwich officers. Management is currently considering the risks and the options.

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

## **Follow ups**

6. The following audits were followed up:

- Parking Gateway IT system – all five recommendations complete.
- Civica IT system - satisfactory progress on the six recommendations, some of which are related to the upgrade of the system (13 - 14 June 2015).

## **Non-assurance work**

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

- Preparing the draft annual governance statement 2014-15
- Co-ordinating and submitting the council's response to the annual fraud survey
- Investigating matches from the NFI 2014-15 data matching exercise.

## **Progress against the audit plan**

8. Details of the annual audit plan for 2015-16 are shown at **appendix 1**, showing estimated and actual days for each area of audit assurance work, with non-assurance and consultancy work shown separately.
9. To the end of May 2015, 81.5 days have been delivered against the audit plan. This includes work on audits started at the end of 2014-15 but not completed by the end of March. The days delivered were less than planned due to nine days sick leave in the team.
10. The restructure of the LGSS internal audit service is almost complete, which will provide clarification on how resources will be made available to complete the plan.

## **Annual fraud and corruption survey 2014-15**

11. As part of Protecting the Public Purse (PPP), the Audit Commission conducted annual fraud and corruption surveys to collect data on various frauds and acts of corruption in local government and related bodies. Following the abolition of the Audit Commission the former counter fraud team of the Commission is now undertaking the survey on behalf of The European Institute for Combatting Corruption and Fraud (TEICCAF). The latest survey is somewhat shorter than previous versions.
12. TEICCAF is an umbrella body for local government counter fraud professionals and professional bodies, including the Institute of Revenues Rating and Valuation (IRRV) and the Local Authority Investigating Officers Group (LAIOG). TEICCAF is the only body committed to continuing the collection and analysis of local government counter fraud data. TEICCAF will publish the survey results in a 2015 '*Protecting the Public Purse*' report (as a reminder, the previous report '*Protecting the Public Purse 2014*' is available on e-bulletin).

13. Previous fraud and corruption surveys achieved a 100 per cent response rate. This enabled the Audit Commission to provide an accurate assessment of total detected fraud for local government, including regional analysis.

14. The council's survey response was submitted by the May deadline; a copy of the submission is attached at **appendix 2** for members' information.

### **Key messages from the 2014-15 survey submission**

15. In 2014-15 the council reported:

- 96 cases of detected housing and/or council tax benefit fraud with a value of £594k. This should be seen in the context of approximately 18,000 claimants.
- Two cases of housing sub-letting and four cases of either non-residency or housing application fraud. In all cases the properties were recovered.
- No cases of fraud or corruption involving staff or members.



LGSS Internal Audit - Internal Audit Plan for Norwich City Council 2015-16			
	2015-16		
	Estimated Days	Actual to Wk 9	Comments / Latest position
<b>Financial systems</b>			
Purchase to pay	20		
Accounts receivable	20		
Payroll	10		
Housing rents/arrears	15		
Housing benefits	20		
Council tax	15		
NNDR	15		
Bank reconciliations	5		
Cash receipting	15		
<b>Sub-total</b>	<b>135</b>	<b>0.0</b>	
<b>Corporate</b>			
Strategic risk management	15	0.8	Administration and reporting of corporate risk register
Corporate governance	25	3.6	Co-ordination & preparation of AGS; corporate governance group; policy updates
<b>Sub-total</b>	<b>40</b>	<b>4.4</b>	
<b>Business relationship management</b>			
Procurement & contract management arrangements	25	1.4	Allowance for possible input to tendering, monitoring, procedural compliance. Involvement in specific contracts. Plus presence on project teams
Insurance	10		
Financial IT system implementation	30		
Information management	15		
Register of electors	10		
ICT audits:	10	1.5	Incl. embedded assurance re Corp Info Assurance Group; input into IT audits
ICON cash receipting	15		
UNIFORM	15		
Website and e-forms	15		
<b>Sub-total</b>	<b>145</b>	<b>2.9</b>	
<b>Regeneration &amp; development</b>			
CIL expenditure	15		
<b>Sub-total</b>	<b>15</b>	<b>0.0</b>	
<b>Strategy, people &amp; neighbourhoods</b>			
HRA business plan & HIP	15		
Private sector leasing	15		
Right to buy	15		
Safeguarding duties	15		
Garages	5		
Allotments	5	1.7	In progress
<b>Sub-total</b>	<b>70</b>	<b>1.7</b>	
<b>Customers, communications &amp; culture</b>			
Go4Less	5	1.2	In progress
<b>Sub-total</b>	<b>5</b>	<b>1.2</b>	
<b>Fraud &amp; corruption</b>			
Anti-fraud and NFI work	80	8.6	Fraud risks; key contact duties for NFI matches and 2015-16 upload (SPD matches)
Special investigations	15	0.3	Contingency
<b>Sub-total</b>	<b>95</b>	<b>8.9</b>	
<b>Contingencies</b>			
To complete 2014-15 plan:	40		
CIL income		1.0	Complete
Parking income		1.8	In progress
Home improvements		7.3	Draft report issued
Payroll		0.2	Draft report issued
Housings rents/arrears		9.8	Draft report issued
Cemeteries		6.0	In progress
Licensing		2.9	In progress
Shared services		1.0	Complete
NNDR		9.9	Complete
Council tax		9.3	Draft report issued
Housing benefits		9.4	In progress
Income generation		0.0	In progress
Leasehold services		0.0	Slipped from 14-15
Follow-ups	20	2.3	Follow ups required by Code of Practice
Advice, guidance, etc	25	1.5	Contingency for advice, guidance & unplanned work requests
<b>Sub-total</b>	<b>85</b>	<b>62.4</b>	
<b>Total planned time</b>	<b>590</b>	<b>81.5</b>	
<b>Indicative resources</b>	<b>Days</b>		
Head of audit / Audit manager	65		
Principal auditor	180		
Senior auditor	200		
Senior auditor / graduate trainee	100		
Computer auditor	45		
	<b>590</b>		





*Tackling public & voluntary sector corruption, fraud & money laundering*

## District councils fraud and corruption survey 2014/15

*glossary*

*(please see bottom of the survey for*

<b>a</b>	<b>Council name?</b> <i>Please answer below</i>
	Norwich City Council
<b>b</b>	<b>Name of 1st Officer / Chief Financial Officer?</b> <i>Please answer below</i>
	Justine Hartley
<b>c</b>	<b>Email address of 1st Officer / Chief Financial Officer?</b> <i>Please answer below</i>
<b>d</b>	<b>Name of person completing the survey?</b> <i>Please answer below</i>
	Steve Dowson
<b>e</b>	<b>Email address of person completing the survey?</b> <i>Please answer below</i>
	stevedowson@norwich.gov.uk
<b>f</b>	<b>Position of person completing the survey?</b> <i>Please answer below</i>
	Audit manager
<b>g</b>	<b>Telephone number of person completing the survey?</b> <i>Please answer below</i>
	01603 212575

1.1	Detected number of cases	96	
1.2	Detected value	£594,237	
<b>HB/CTB involving a councillor or staff</b>			
1.3	Detected number of cases (Internal)	0	
1.4	Detected value (Internal)		

## 2 Housing tenancy fraud

2.1	Number of properties in your housing stock, both directly managed and via arms-length management organisations (ALMOs) <b>NB If you have no housing stock answer '0' and move to section 4</b>	Number	15,285
<b>Tenancy sub-letting fraud</b>			
2.2	Properties recovered	Number	2
<b>Tenancy sub-letting fraud involving a councillor or staff</b>			
2.3	Properties recovered (Internal)	Number	0
<b>Other tenancy fraud</b>			
2.4	Properties recovered	Number	4
<b>Other tenancy fraud involving a councillor or staff</b>			
2.5	Properties recovered (Internal)	Number	0
<b>* TOTAL PROPERTIES RECOVERED</b>			6 0

## 3 Right to buy' fraud

3.1	Detected number of cases	Number	0
3.2	Detected value (please use the value of the discount)	£	
<b>Right to buy' frauds involving a councillor or staff</b>			
3.3	Detected number of cases (Internal)	Number	0
3.4	Detected value (Internal) (please use the value of the discount)	£	

## 4 Council tax discount fraud

<b>Council tax single person discount (SPD) fraud</b>			
4.1	Detected number of cases	Number	0
4.2	Detected value	£	
<b>Council tax single person discount (SPD) fraud involving a councillor or staff</b>			
4.3	Detected number of cases (Internal)	Number	0
4.4	Detected value (Internal)	£	

**Other council tax discount fraud involving discounts and entitlements** (Excludes the council tax reduction scheme, which is dealt with in section 5)

4.5	Detected number of cases	Number	0
4.6	Detected value	£	
<b>Other council tax discount fraud involving a councillor or staff</b>			
4.7	Detected number of cases (Internal)	Number	0



4.8	Detected value (Internal)		
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**5 Council Tax Reduction (CTR) fraud**

Number £

5.1	Detected number of cases	0	
5.2	Detected value		

**CTR fraud involving a councillor or staff**

Number £

5.3	Detected number of cases (Internal)	0	
5.4	Detected value (Internal)		

**6 Non-domestic rates fraud (Business Rates) fraud**

Number £

6.1	Detected number of cases	0	
6.2	Detected value		

**Business Rates fraud involving a councillor or staff**

Number £

6.3	Detected number of cases (Internal)	0	
6.4	Detected value (Internal)		

**7 Procurement fraud**

Number £

7.1	Detected number of cases	0	
7.2	Detected value		

**Procurement fraud involving a councillor or staff**

Number £

7.3	Detected number of cases (Internal)	0	
7.4	Detected value (Internal)		

**8 Fraudulent insurance claims**

Number £

8.1	Detected number of cases	0	
8.2	Detected value		

**Fraudulent insurance claims involving a councillor or staff**

Number £

8.3	Detected number of cases (Internal)	0	
8.4	Detected value (Internal)		

**9 Economic and third sector support fraud**

Number £

9.1	Detected number of cases	0	
9.2	Detected value		

**Economic and third sector support fraud involving a councillor or staff**

Number £

9.3	Detected number of cases (Internal)	0	
9.4	Detected value (Internal)		

**10 Debt fraud**

Number £

10.1	Detected number of cases	0	
10.2	Detected value		

**Debt Fraud involving a councillor or staff**

Number £

10.3	Detected number of cases (Internal)	0	
10.4	Detected value (Internal)		

**11 Pension fraud**

Number £

11.1	Detected number of cases	0	
11.2	Detected value		
<b>Pension Fraud involving a councillor or staff</b>			
		Number	£
11.3	Detected number of cases (Internal)	0	
11.4	Detected value (Internal)		

**12 Investment fraud**

Number £

12.1	Detected number of cases	0	
12.2	Detected value		
<b>Investment Fraud involving a councillor or staff</b>			
		Number	£
12.3	Detected number of cases (Internal)	0	
12.4	Detected value (Internal)		

**13 Payroll and employee contract fulfilment fraud**

Number £ Number £

13.1	Detected number of cases	0	0
13.2	Detected value		£0

**14 Expenses fraud****Staff expenses fraud**

Number £ Number £

14.1	Detected number of cases	0	0
14.2	Detected value		£0

**Councillor expenses fraud**

Number £ Number

14.3	Detected number of cases	0	0
14.4	Detected value		£0

**15 Abuse of position****Abuse of position for financial gain**

Number £ Number £

15.1	Detected number of cases	0	0
15.2	Detected value		£0

**Manipulation of financial or non-financial data**

Number Number

15.3	Detected number of cases	0	0
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**16 No recourse to public funds**

Number £

16.1	Detected number of cases	0	
16.2	Detected value		

**17 Other fraud** (Only include frauds i.e. not theft of cash etc. Wherever possible try and use a named fraud type rather than 'Other')

17.1 Please provide details below:

		Number	£
17.2	Detected number of cases	0	
17.3	Detected value		

**Other fraud involving a councillor or staff**

17.4 Please provide details below:

			Number	£
17.5	Detected number of cases (Internal)		0	
17.6	Detected value (Internal)			

**20 Recruitment fraud**

Number

18.1	Detected number of cases	0
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**19 Corruption**

Number

19.1	Not included in figures elsewhere in the survey, how many incidents of corruption did you have involving a councillor?	0
19.2	Not included in figures elsewhere in the survey, how many incidents of corruption did you have involving an employee?	0

**20 Counter fraud and corruption capability**

How many full time equivalent (FTE) counter-fraud specialists did you have at 31 March 2015, for both benefit and non-benefit fraud?

20.1	(FTE) counter-fraud specialists working purely on benefit fraud - please answer below	0.00
20.2	(FTE) counter-fraud specialists working purely on corporate fraud (non-benefit) - please answer below	0.00
20.3	(FTE) counter-fraud specialists working on both benefit and corporate fraud i.e. mixed duties - please answer below	4.50

**21 Enhancing counter fraud development**

21.1	In your professional judgement, what are the three most significant issues that need to be addressed to effectively tackle the risk of fraud and corruption at your council? Tick the three most important from the list below:	Please place X into the three most important
	Capacity (sufficient counter fraud resource)	X
	Capability (having appropriate counter fraud skill sets)	
	Effective fraud risk management	
	Better data sharing	X
	Corporate appreciation of the financial benefits of tackling fraud	X
	Greater public support for tackling fraud	
	Increased priority given to tackling fraud	
	Improved partnership working	
	Other	
	If Other, please provide details	

21.2	In your professional judgement, which three fraud types pose the biggest financial risk to your council? <i>Please answer below</i>
	Housing benefits Single person discount Right to buy
21.3	In your professional judgement, which three fraud types pose the biggest reputational damage risk to your council? <i>Please answer below</i>
	Abuse of position Expenses fraud Procurement fraud

**22 Emerging risks**

22.1	What emerging risk areas for fraud or corruption did you identify during 2014/15? <i>Please answer below</i>
	Bank mandate fraud Housing tenancy fraud - sub-letting; application

**23 Comments**

23.1	If you would like to comment on the TEICCAF fraud and corruption survey please do so below
	None

## Fraud and corruption survey glossary

### Financial year

This survey covers fraud detected in your organisation in the financial year ended 31 March 2015.

### Fraud

For the purposes of this survey we define fraud as: *An intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss. We include cases where management authorised action has been taken including, but not limited to, disciplinary action, civil action or criminal prosecution.*

### Corruption

For the purposes of this survey we define corruption as: *The offering, giving, soliciting or acceptance of an inducement or reward that may influence the actions taken by the audited body, its councillors or officers.*

We will use the information from this survey for research, to inform future reports, and develop and spread best practice on counter fraud and corruption activities.

### Detected incidents

The statistics we are establishing are those based on facts. The survey, therefore, collects only detected incidents of fraud and corruption.

We define a detected incident to be: *Where action has been taken following an investigation or enquires, and as a result an officer with management authorisation has determined that on the balance of probabilities a fraud or act of corruption has occurred. Action could include, but not limited to, prevention of a payment, the stopping of an entitlement, the raising of a debt or overpayment, prosecution, dismissal or some form of internal disciplinary action.*

### Value

For the purposes of this survey the value of fraud is based on the balance of probability which is the evidential standard used in civil court cases. For this survey civil debt recovery need not have taken place, but the consideration of recovery is possible. The balance of probability is defined as: *'It is more likely than not that fraud has occurred for the financial amounts and duration the information at hand tends to confirm.'*

### **Councillors**

We use the term '*Councillor*' to mean all elected and appointed persons on local authority bodies, local councils, police bodies, fire and rescue authorities and school governing bodies.

### **Employees**

We use the term '*employees*' to mean all staff that fall under a remit of the public body. This includes for example, police officers, support officers, fire fighters, temporary and contract personnel.

### **Tenancy fraud / Blue badge / Recruitment**

For tenancy fraud, disabled parking concessions (Blue Badge) and recruitment we do not require a value figure because of the complexity involved in determining a correct amount. Therefore, a standard value will be applied to each reported case.

23 June 2015

**Report of** Head of internal audit and risk management, LGSS

**Subject** Review of corporate risk register

12

## Purpose

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

## Recommendation

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

## Corporate and service priorities

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

## Financial implications

None

**Ward/s:** All wards

**Cabinet member:** Councillor Stonard – Resources and income generation

## Contact officers

Neil Hunter

01223 715317

Steve Dowson

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. In line with the risk management strategy, the template for risk registers includes scoring for inherent risks (before any mitigating controls are considered) and residual risk (after taking account of key controls, which are listed). Any further planned actions to mitigate risks are also shown.
4. The current corporate risk register was previously reported to audit committee on 17 March 2015.

## Review of corporate risks

5. In line with the risk management strategy, on 10 June the corporate leadership team carried out its quarterly review of the key risks to achieving the council's priorities and updated the register.
6. The updated corporate risk register is attached at **appendix 1**.

## Changes to the corporate risk register

7. There is one major change to the register following the latest review. In view of the current economic outlook for the public sector the residual impact score for risk B1, public sector funding, has been increased from 3 (medium) to 4 (high). The result is that the overall residual risk score is 20, i.e. it exceeds the council's risk appetite. The risk management policy states that "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." Therefore a report will be taken to a future cabinet to explain the actions being taken and to approve the score (in practice cabinet will already be aware of the issues through regular reporting of the transformation programme, budget, medium term financial strategy, etc.).
8. The only other major change is that more detail has been added to risk A4, safeguarding children and vulnerable adults, to demonstrate how the council is actively involved and is complying with its duties and responsibilities.
9. Other changes mainly relate to the updating of some causes and effects in columns three and four and additional/expanded key controls in column ten. New actions to mitigate risks have been added to risks A4, safeguarding children and vulnerable adults; B1, public sector funding; and C5, fraud and corruption.
10. The register attached at appendix 1 highlights in red where changes have been made.



## **Summary of residual risk scores**

11. As with the previous register, a summary is included at **appendix 2** which shows the residual risk level for each of the risks. This demonstrates where each risk sits in relation to the council's risk appetite, ie there should be no risks with a residual score greater than 15, unless specifically approved by cabinet.
12. As mentioned above, the residual risk score for B1, public sector funding has increased to 20 (red), which will be reported to a future cabinet.
13. All other residual risk scores are amber.

## **Conclusion**

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





## CORPORATE RISK REGISTER

Version Date: June 2015

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
CUSTOMER PERSPECTIVE																	
A1	Customer demand	1. Customer demand exceeds our capacity to deliver services as they are currently configured 2. Transfer of demand arising from service delivery changes or budget cuts by other public agencies 3. Excessive customer demand in key areas, particularly in relation to the need to cut services, or changes to policies eg council tax <b>benefits reduction scheme; universal credit</b>	1. Unable to cope with demand 2. Complaints 3. Reputation damage 4. <b>Increased homelessness risk to housing</b>	EH-CC&C	All	4	4	16 (R)	1. Proactive research on customer profile, forward planning, eg anticipating future events that will generate higher demand and use of data held to map and channel shift. 2. Data capture, consultation, survey and service planning. 3. Being robust about the role and responsibilities of Norwich City Council	3	2	6 (A)	Customer service improvement plan for F2F service - Phase 1	Head of customer services	Ongoing	Mar-16	G
A2	Delivery of the corporate plan and key supporting policies and strategies within the council's strategic framework	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	EH-SP&N	All	<del>3</del> 4	4	<del>12 (A)</del> 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)					

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 – 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. <del>New</del> 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 <del>are-being have been</del> reviewed and staffing structures refreshed to reflect this change. <del>-Contract-management-training-has-been-completed-for-staff-delivering-environmental-works-contracts-</del></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 <del>is-currently-reviewing-</del> has reviewed arrangements to ensure that robust governance by client managers is in place for LGSS, nplaw, NPS Norwich, Norwich Norse (Environmental) and Norse Envoronmental Waste Service. <del>Results-to-be-r</del>Reported to CLT in April March 2015 - result was 'substantial' assurance opinion.</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. <b>Continued</b> change in council service delivery model with an increase in the number of partnership arrangements <b>will is likely to</b> 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. <b>NCC's reliance on systems at Norfolk and impact on Norwich City Council if these are inadequate</b></p>	EH-SP&N	<b>1 &amp; 3 All</b>	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. <b>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.</b></p> <p>12. <b>NCC plays full part in Norfolk Public Protection Forum</b></p> <p>13. <b>NCC chief executive chairs Community Safety Partnership linking to domestic abuse across the county</b></p>	2	4	8 (A)	<p>Work is progressing with contract managers to ensure monitoring and annual reporting of cross cutting themes including safeguarding and equalities is undertaken consistently with contractors. Training for all staff being reviewed to ensure it is relevant to job roles and reflects emerging safeguarding issues and priorities.</p> <p><b>Action plan developed to ensure continual</b></p> <p><b>improvement against Sec 11 of the Children Act 2014 - progress will be reported to a future cabinet</b></p>	Head of local neighbourhood services	Jul-14	Sep-15	G
														Head of local neighbourhood services	Jan-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
A6	Delivery of Joint Core Strategy (JCS). The council, through the Greater Norwich Growth Board, is seeking to promote delivery of the JCS. If delivered, JCS will see more than 30,000 homes built in the greater Norwich area, and 35,000+ jobs created over next 15 years	Delivery of the JCS may be jeopardised by: 1. One or more district councils failing to identify sufficient sites or bring forward detailed development plans to deliver the JCS in the next five years. 2. Markets failing to deliver on preferred development sites identified for housing 3. The government changing allowed approaches to calculating housing land supply to require all the backlog in housing supply that has arisen since 2008 to be met in the next five-year period rather than over the remainder of the plan period of the JCS (ie up to 2026). 4. Failure to deliver the infrastructure required to support development 5. The council increasingly relies on income from NNDR (business rates). This may be at risk if other councils allow commercial developments on the edge of the city but outside the boundary.	1. Reputation damage 2. Significant likelihood that the overall development strategy for the Greater Norwich area will not be delivered	EH-R&D	2 & 4	3	4	12 (A)	1. Ensuring that strategies being prepared with GNGB colleagues are as robust as possible and firmly grounded in reliable evidence. 2. Inter-authority working based on consensus decision-making ensures all parties are in agreement with the proposed policy framework. 3. All policy work is supported by comprehensive evidence in accordance with government guidelines. 4. Greater Norwich Growth Board responsible for ensuring funding is available for investment in infrastructure to support growth.	2	3	6 (A)					
A8	Housing Investment Strategy As part of the reform of the HRA the council has taken on a substantial debt to replace the former negative housing subsidy system. This debt will be repaid over a period not exceeding 30 years. In addition to debt repayments the council has adopted a new standard for investment in the housing stock and a commitment to fund a new build programme	1. Should the cost of works increase and/or the level of income reduce, then it may be necessary to review the housing investment strategy. 2. In addition, below inflation/rpi increases in rents will impact on income. 3. Reduction in rental income (arising from a high level of council house sales, increasing debt or other factors). 4. Significant increase in the cost of delivering improvement works 5. Failure to deliver by contractors	1. Failure to deliver the Norwich Standard within the expected timescale 2. Lack of resources to support a new build programme. 3. Increased Reduced tenant dissatisfaction satisfaction 4. Reduced new build programme.	EH-SP&N	4	3	3	9 (A)	1. Regular review of HRA business plan and housing investment plan to reflect financial position of the HRA. 2. The main control will be the timescale for delivering the Norwich Standard to all properties together with the delivery of any agreed new build programme. 3. Regular review of key projects. 4. Effective contract management 5. Work with Registered Providers to maximise use of retained Right to Buy receipts for the development of new social housing where spend by the Council is not possible.	2	3	6 (A)					
FINANCE AND RESOURCES																	

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
B1	Public sector funding	1. Further economic decline. 2. Change in national government policy as a result of the economic position 3. New policies and regulations place a major financial burden on the council 4. Effects of funding cuts on major partners despite increased referrals, eg health and social care, may result in increased costs for the council	1. Major reduction in public sector funding, including consequences of changes in funding arrangements for other bodies. 2. Impact on balancing the budget – significant change and financial savings required. 3. Unable to make saving within the required timescales 4. Erosion of reserves 5. Major financial problems 6. Reputation damage 7. Possible industrial action 8. Changes become "knee jerk" 9. Govt intervention 10. Council loses critical mass in key areas 11. Service failures 12. Potential disproportionate impact on the poorest and most vulnerable members of society	CFO	All	5	4 5	20 (R) 25 (R)	1. Comprehensive 5-year transformation programme based on minimum resource allocation and robust benefit realisation. 2. Medium Term Financial Strategy incl. reserves policy, financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated. 3. HRA business plan. 4. Weekly review by CLT of government announcements to assess implications and response required. 5. Keep service design under review 6. Continual review of financial position by the council and major partners	5	3 4	15 (A) 20 (R)	Report to cabinet for approval in line with risk management policy	Chief finance officer			
B2	Income generation	1. Further economic decline. 2. Under-utilisation of assets 3. CIL (community infrastructure levy) income is below expectations. 4. Collapse in world markets leading to loss of income 5. Low economic growth or recession reduces income 6. Other triggers: a) Bethel St Police Station – market value payment b) Triennial pensions review. c) VAT partial exemption. d) Variable energy prices. e) Increasing voids due to market and economy factors. f) Loss of major tenant. g) GNGP board decision or cabinet decision on CIL investment arrangements. h) The council increasingly relies on income from NNDR (business rates). This is a volatile income stream and may be at risk from changes to Government policy around planning and if other councils allow commercial developments on the edge of the city but outside the boundary. i) Lack of experience in some services for generating income	1. Inability to raise capital receipts 2. Impact on balancing the budget – significant change and financial savings required. 3. Decline in income streams (eg rents from investment properties) – insufficient funds to maintain current service levels 4. Unable to make saving within the required timescales 5. Erosion of reserves 6. Major financial problems 7. Reputation damage 8. Govt intervention 9. Council loses critical mass in key areas 10. Service failures 11. Potential disproportionate impact on the poorest and most vulnerable members of society 12. Damage/costs across void portfolio 13. Essential infrastructure to deliver growth in the GNGP area is delayed.	CFO	All	5	4	20 (R)	1. Comprehensive 5-year transformation programme based on minimum resource allocation, maximisation of income generation and robust benefit realisation. 2. Medium Term Financial Strategy incl. reserves policy, capital and revenue financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated. 3. HRA business plan. 4. 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. 5. Clear strategy for investment 6. Commercial skills training provided to all Heads of Service 7. Element of CIL programme controlled by Norwich prioritised and caution taken to ensure spend not incurred until monies certain to be received.	4	3	12 (A)					

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



Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
PROCESSES AND SYSTEMS																	
C1	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"><li>• Loss of City Hall</li><li>• ICT failure</li><li>• Contractor collapse</li><li>• Severe weather events – storms, heatwaves, strong winds</li><li>• Flooding</li><li>• Sea level rise</li><li>• Fuel shortages</li><li>• Communications failure</li><li>• Pandemic</li><li>• Loss of power</li></ul> 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.	1. Service disruption and inability to deliver services 2. Disruption of the delivery of goods and services to the council 3. Increased requests for council resources and services 4. Health and safety impact on staff and vulnerable residents 5. Damage to council property and impact on tenants 6. Reputation damage 7. Years to recover	EH-BRM&D	All	4	4	16 (R)	1. The council is a member of the Norfolk Resilience Forum, which has produced a Norfolk Community Risk Register 2. Business continuity team with access to resources; action plans have been used to deal with actual total City Hall IT failure; alternative site for customer contact team; disaster recovery plan and the use of Blackberries for communications. 3. The council has a major emergency management strategy and emergency planning room established at City Hall. Approach has also been used to test business continuity in the event of the main works contractor changing. 4. Flu pandemic plan. 5. Adaptations to protect the council from the local effects of climate change and address the causes are covered by corporate strategies such as the environmental strategy, together with service plans. 6. A new business continuity management policy and framework was approved by cabinet 25 June 2014. 7. A business impact analysis for each service is reviewed and assessed by CLT once complete.	4	3	12 (A)					
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 <b>lean</b> blueprint for a new council	1. Incoherent approach to ICT systems 2. Systems not customer friendly 3. Systems are not integrated with one another 4. Drain on resources as staff work around the systems 5. Lack of accuracy in key data 6. Data are unreliable 7. Key information not trusted 8. Hinders management and service improvements 9. Failure to deliver council priorities	EH-BRM&D	All	3	4	12 (A)	1. NCC has developed an ICT strategic direction document detailing the key areas where ICT is required to support business objectives and change.  2. Management of the LGSS relationship will seek to ensure that NCC requirements are delivered.  3. The council has introudced a new 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	Action Status RAG
C3	Information security	1. Sensitive and/or personal data is sent to the incorrect recipient or not kept securely, or is lost 2. Data is emailed to insecure email addresses. 3. Lap top or memory stick containing data is lost or stolen. 4. Information is sent to incorrect addresses. 5. External malicious attack (hacking) 6. Hard copy data is lost or stolen	1. Fine up to £0.5 million 2. Reputational risk	EH-BRM&D	5	5	4	20 (R)	1. Regularly remind all managers, employees and members of their responsibilities for the use of and security of data. 2. Prohibit using mobile devices to store or process sensitive or personal data unless device is encrypted. 3. Encrypt lap tops and data sticks when they are used to store or process sensitive or personal data. 4. Proper disposal of confidential waste. 5. Updated IT User Security policy issued June 2013 to all staff and other people who access the councils systems (e.g. partners, contractors etc.) 6. The council has achieved public sector network (PSN) & payment card industry (PCI) compliance 7. The council has introduced an <b>new</b> ICT programme board, attended by LGSS IT.	3	4	12 (A)	Review IT user security policy	Systems support team leader	September 2014	April 2015	G

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
C4	Failure of major contractor or legal challenge following an unsuccessful tender bid	1. The council has a number of key contractors who may be vulnerable to market and economy factors.  2. In addition the number of legal challenges (and therefore injunctions preventing a contract award) is increasing due to the financial pressures and reducing workload  3. Key contractor goes into administration or an injunction is issued preventing the award of a new contract	1. Customer and staff complaints  2. Services not delivered  3. Contingency plans have to be invoked  4. Cost and time to retender contract  5. Cost and time to defend legal challenge  6. Additional unforeseen costs impact delivery of balanced outturn and reserve levels	EH-BRM&D	5	4	3	12 (A)	1. Monitor major contractors for warning signs and make any necessary contingency plans. Recently put into practice and contingency plans tested. 2. Ensure a robust procurement process is followed in accordance with the appropriate procurement regulations, NCC processes and best practice. 3. NPS JV extended to include works division. This arrangement <del>will</del> enables the JV to carry out work that was previously contracted to private sector. This approach is in line with the Councils operating model. This <del>will</del> provides enhanced security over the supplier and increased direct control by the council. 4. Contingency budget and allowance for failures within the calculation of prudent minimum balance of reserves 5. More use of shared services reduces size and scope of contracts with private sector providers (eg ICT) 6. Increased use of framework contracts increases resilience against contractor failure.	3	3	9 (A)					
C5	Fraud and corruption	1. Poor internal controls lead to fraudulent acts against the council, resulting in losses. 2. Bribery Act 2010 came into force 1 July 2011 – lack of guidance or policies - council fails to prevent bribery 3. Failure in internal control. 4. Discovery of fraudulent acts. 5. Allegations received. 6. Member of staff or councillor breaks the law.	1. Loss of income or assets 2. Adverse public opinion 3. Effect on use of resources 4. Increased costs of external audit 5. Cost of investigation and rectifying weaknesses 6. Prison	CFO	5	3	3	9 (A)	1. Internal audit 2. Anti-fraud and corruption policy, 3. Payment Card Industry security assessment to protect card payments, 4. National Fraud Initiative, 5. Whistleblowing policy <del>and prosecution policy:</del> 6. Review and update as necessary policies and procedures. 7. Assess risk of bribery, train staff and monitor and review procedures. 8. Robust procurement procedures, e-tendering portal and governance by the procurement team 9. Delegation procedures	2	3	6 (A)	Review needed of anti-fraud, whistleblowing and anti-bribery policies,	Chief finance officer	Sep-15		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-SP&N	All	3	4	12 (A)	2 stages – managing the threat of industrial action and responding to industrial action 1. Identify and agree with UNISON exemptions from strike action 2. Identify and implement business continuity/contingency plans to maintain essential services and ensure statutory duties are met 3. CLT agree and implement strategy for response to strike action ie assessing the scale of the action, communications, response depending on nature of the action, wider industrial relations implications, deductions from pay etc 4. National and regional guidance 5. Statutory immunities – Trade Union Labour Relations (Consolidation) Act	2	3	6 (A)					

Council Priorities 2015-2020:

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

Key to risk owners (above):

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

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

# RISK SCORING MATRIX

VERY HIGH (V)	5	10	15	20	25
HIGH (H)	4	8	12	16	20
MEDIUM (M)	3	6	9	12	15
LOW (L)	2	4	6	8	10
NEGLIGIBLE	1	2	3	4	5
IMPACT LIKELIHOOD	VERY RARE	UNLIKELY	POSSIBLE	LIKELY	VERY LIKELY

**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 (see section 3.8 of the strategy).

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

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

Descriptors to assist in the scoring of risk impact are on the following page

Likelihood scoring is left to the discretion of managers as it is very subjective, but should be based on their experience of the risk

As a guide, the following may be useful:

- Very rare - highly unlikely, but it may occur in exceptional circumstances. It could happen, but probably never will
- Unlikely - not expected, but there's a slight possibility it may occur at some time
- Possible - the event might occur at some time as there is a history of occasional occurrence at the council
- Likely - there is a strong possibility the event will occur as there is a history of frequent occurrence at the council
- Very likely - the event is expected to occur in most circumstances as there is a history of regular occurrence at the council

## **IMPACT DESCRIPTORS**

The following descriptors are designed to assist the scoring of the impact of a risk:

	<b>Negligible (1)</b>	<b>Low (2)</b>	<b>Medium (3)</b>	<b>High (4)</b>	<b>Very High (5)</b>
<b>Legal and Regulatory</b>	Minor civil litigation or regulatory criticism	Minor regulatory enforcement	Major civil litigation and/ or local public enquiry	Major civil litigation setting precedent and/ or national public enquiry	Section 151 or government intervention or criminal charges
<b>Financial</b>	<£25k	<£50k	<£100k	<£500k	>£500k
<b>Service provision</b>	Insignificant disruption to service delivery	Minor disruption to service delivery	Moderate direct effect on service delivery	Major disruption to service delivery	Critical long term disruption to service delivery
<b>People and Safeguarding</b>	Slight injury or illness	Low level of minor injuries	Significant level of minor injuries of employees and/or instances of mistreatment or abuse of individuals for whom the council has a responsibility	Serious injury of an employee and/or serious mistreatment or abuse of an individual for whom the council has a responsibility	Death of an employee or individual for whom the council has a responsibility or serious mistreatment or abuse resulting in criminal charges
<b>Reputation</b>	No reputational impact	Minimal negative local media reporting	Significant negative front page reports/ editorial comment in the local media	Sustained negative coverage in local media or negative reporting in the national media	Significant and sustained local opposition to the council's policies and/or sustained negative media reporting in national media
<b>Project</b>	Minimal effect on budget or overrun	Project overruns or over budget	Project overruns or over budget affecting service delivery	Project significantly overruns or over budget	Project failure
<b>Sustainability/ Environment</b>	Minimal or no impact on the city's environment or sustainability targets	Minor impact on the city's environment or sustainability targets	Moderate impact on the city's environment or sustainability targets	Serious impact on the city's environment or sustainability targets	Very serious impact on the city's environment or sustainability targets





## Norwich City Council

## Summary of Residual Scores for Corporate Risks (one red, 16 amber)

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

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

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

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

