

Audit committee

Date: Tuesday, 18 November 2014

Time: 16:30

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

Committee members:

Councillors:

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

For further information please contact:

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Norwich
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Pre-meeting 16:00

There will be an informal training session for members of the committee and interested members at 16:00 on Governance arrangements.

Information for members of the public

Members of the public and the media have the right to attend meetings of full council, the cabinet and committees except where confidential information or exempt information is likely to be disclosed, and the meeting is therefore held in private.

For information about attending or speaking at meetings, please contact the committee officer above or refer to the council's website



If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

Agenda

Page no

- | | | |
|---|---|---------|
| 1 | Apologies

To receive apologies for absence. | |
| 2 | Public questions/petitions

To receive questions / petitions from the public (notice to be given to committee officer in advance of the meeting in accordance with appendix 1 of the council's constitution) | |
| 3 | Declaration of interest

(Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting) | |
| 4 | Minutes

To approve the accuracy of the minutes of the meeting held on 23 September 2014. | 5 - 8 |
| 5 | Annual Audit letter 2013-14

Purpose - This report presents the Annual Audit letter. | 9 - 22 |
| 6 | Risk management report

Purpose - To update members on reviews by the corporate leadership team of: <ul style="list-style-type: none">• key risks facing the council and the associated mitigating actions• the council's risk management policy | 23 - 44 |
| 7 | Internal audit and fraud team 2014-15 – September to October update

Purpose - To advise members of the work of internal audit between September and October 2014 and progress against the 2014-15 internal audit plan, together with the work of the fraud team between April and October 2014 | 45 - 50 |

Date of publication: **Monday, 10 November 2014**



Audit committee

16:30 to 17:55

23 September 2014

Present: Councillors Neale (chair), Wright (vice chair), Boswell, Bremner, Harris, Kendrick, Little and Waters

1. Declarations of interest

There were no declarations of interest.

2. Minutes

RESOLVED to agree the accuracy of the minutes of the meeting held on 22 July 2014, subject to item 6, Annual audit and certification fees letter 2014-15, first paragraph, second sentence inserting “further” after “no” so that the sentence reads as follows:

“There would be no further additional costs arising from the correspondence with a member of the public.”

3. Statement of accounts 2013-14

The chief finance officer introduced the report. There were a few changes to be made to the Statement of account post audit and it was recommended that the committee delegated the chief finance officer, in consultation with the chair, the signing off of the accounts by 30 September 2014.

Discussion ensued in which the chief finance officer and the chief accountant answered members’ questions and members commented on the Statement of accounts. The committee suggested that paragraph 1 of the Explanatory foreword should be amended to clarify that four councils provide services to the greater Norwich area rather than the “City of Norwich” and therefore to replace references to “the City” in the first two paragraphs with “greater Norwich area. Members considered that the document should be easy to read for members of the public and that acronyms should be used after the name is in full. Members noted that references to “NDR” or “NNDR” referred to the National non-domestic rates or business rates and that on page 16 of the Statement the acronym for the bus rapid transit system should be amended to “BRT”. Councillor Little referred to the minutes of the previous meeting and suggested that a footnote was required to for paragraph 11, Taxation and non-specific grant income, to explain the reduction in the council tax income from 2012-13 as a result of the council tax reduction scheme. In response to a question relating to the Directorate income and expenditure, the chief

accountant (LGSS) said that she would ensure that explanatory text was provided for the difference in total expenditure at directorate level for 2013-14 and 2012-13.

The internal audit manager (LGSS) advised the committee of updates to the Annual governance statement. He pointed out that on page 34 of the Statement, under the paragraph on "Internal audit" that the final sentence should be amended to reflect that the head of internal audit and risk management's (LGSS) annual report had been considered by the audit committee at its meeting on 22 July 2014 and that the audit opinion's conclusion was a "substantial" assurance on the council's internal control environment for 2013-14. Under the paragraph on the "Internal audit assurance reviews" members were advised that the first sentence should be deleted to reflect that the internal audit review of accounts receivable/sundry debtors had resulted in a "moderate" rather than a "limited" assurance opinion. Members were also advised that as the leisure and sports development manager had given assurances that all the recommendations from the internal review of the Norman Centre had been implemented a sentence had been added to this effect. Members were also advised that under page 37 of the Statement, the second paragraph under the heading "Internal audit assurance reviews", commencing with "However, an audit of accounts" should be deleted.

During discussion on the council's heritage assets, the chief accountant answered questions on the security arrangements and audits of the regalia and artefacts gifted or loaned to the city council.

RESOLVED to defer consideration of the recommendations contained in the report until consideration of the next agenda item (Audit results report 2013-14).

4. Audit results report

The chief finance officer introduced the report and referred to a supplementary appendix1 which was circulated at the meeting and comprised the council's response to appendix 1 – Uncorrected audit misstatements (page 14 of the Audit results report). She explained that it was not possible to circulate the response at an earlier stage because until the accounts had been audited officers did not know what was needed and the response must be included in the letter of representation.

The external audit director (EY) presented the report and said that he expected to give an unqualified opinion on the councils' Statement of accounts and that it was good news that the council's letter of representation would be received by 30 September 2014. He referred to the supplementary appendix 1 and said that the two issues (NNDR appeals provision and the Housing revenue account (HRA) component capital expenditure were non-material.

Councillor Waters said that he considered that the council had made an adequate assessment of the risks associated with the NNDR provision for appeals and the government funding streams for the New homes bonus. The council held reserves above the minimum required.

Discussion ensued in which the external audit director and the chief finance officer answered members' questions. This included the council's reasons for not adjusting the accounts based on an extrapolated figure based on a best estimate. The committee was advised that the council was in the process of acquiring a new

finance system and as part of this a fixed asset register would be available by January 2015.

Members welcomed the receipt of an unqualified opinion on the Whole of government accounts.

RESOLVED to:

- (1) approve the Statement of accounts and the draft letter of representation:
- (2) delegate to the chief finance officer, in consultation with the chair, to sign off the accounts by 30 September 2014.

5. Internal audit and fraud team 2014-15 – July to September update

The head of internal audit and risk management (LGSS) and the internal audit manager presented the report. As referred to earlier in the meeting, the actions arising from the audit of the Norman Centre had been implemented and therefore it was not necessary for the committee to invite the manager to give an explanation.

The head of internal audit and risk management introduced Andy Rush, team leader (fraud) (LGSS) and, referring to the transfer of housing benefit fraud work to the Department of Work and Pensions (DWP) and the LGSS bid to the Department of Communities and Local Government (DCLG), said that potentially a strong investigative resource could be lost to the organisation. During discussion members noted that there was no guarantee that the funding bid would be successful. Some authorities had already transferred staff to the DWP. It would be regrettable if the services of skilled investigative staff of the fraud team were lost to the council. The team leader (fraud) explained how the team operated. Members noted that the total amount recovered by the team had exceeded its key performance indicator (based on the running costs of the fraud team) by £14,000.

Discussion ensued in which the chair queried whether staffing resources were sufficient to manage the Norwich provisions market. The internal audit manager said that internal audit would follow up the audit to monitor progress against the recommendations, particularly in relation to rent collection and debt recovery.

The internal audit manager said that progress on the disaster recovery audit would be reported to the next meeting. No specific dates had been provided for actions to be implemented. A member expressed concern that there had been a delay in providing laptops with GIS software for use by the emergency planning team. It was not difficult and a date for its implementation should be agreed.

During discussion on the audit of ICT, members considered that an audit of software licences would provide an opportunity to make savings if there were more licences than users in the organisation. Members were advised that ICT governance arrangements covered all potential areas surrounding software licensing and the scope for savings from cancelling extra software licences followed out of that.

A member referred to the fact that the work programme for the internal audit team had slipped and that he considered that as most audits were in the second part of the year the team could catch up.

RESOLVED to note the:

- (1) work of internal audit between July and September 2014;
- (2) progress on the 2014-15 audit plan;
- (3) work of the fraud team between April and August 2014;
- (4) latest position on the National Fraud Initiative (NFI).

6. LGSS internal audit charter and public sector internal audit standards

The head of internal audit and risk management presented the report.

RESOLVED to note the LGSS internal audit charter and the results of the self-assessment against public internal audit standards.

CHAIR

Report to	Audit committee 18 November 2014
Report of	Chief finance officer
Subject	Annual Audit letter

Purpose

Recommendation

Corporate and service priorities

Financial implications

Ward/s: All wards

Contact officers

REPORT

Background

1. The annual audit letter communicates to the members of Norwich City Council and external stakeholders, including members of the public, the key issues arising from the audit work carried out for the year ended 31 March 2014 by our external auditors.

Key Findings, control themes and observations

2. The audit committee should note the key findings, control themes and observations contained in the letter.

Fees Update

3. The audit committee should note the audit fees for the 2013-14 Statement of accounts and that proposed for the certification of claims and returns.

Annual Audit Letter

Norwich City Council

30 October 2014



The Members
Norwich City Council
City Hall
St. Peter's Street
Norwich
NR2 1NH

30 October 2014

Dear Members,

Annual Audit Letter

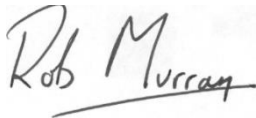
The purpose of this Annual Audit Letter is to communicate to the Members of Norwich City Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of Norwich City Council in the 2013/14 Audit Results Report issued to the Audit Committee on 15 September 2014.

The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of Norwich City Council for their assistance during the course of our work.

Yours faithfully

A handwritten signature in black ink that reads "Rob Murray". The signature is written in a cursive style with a horizontal line underneath the name.

Rob Murray
Director
For and behalf of Ernst & Young LLP
Enc

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Executive summary

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan we issued on 25 February 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Norwich City Council for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK & Ireland)	On 29 September 2014 we issued an unqualified audit opinion in respect of the Authority.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 29 September 2014 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Audit Committee) communicating significant findings resulting from our audit.	On 15 September 2014 we issued our report in respect of the Authority.
Notify the NAO that the Authority is below the Whole of Government Accounts threshold and provide the supporting calculations to confirm.	We reported our findings to the National Audit Office on 26 September 2014.
Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.

Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit. No issues to report.

Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act. No issues to report.

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission. On 29 September 2014 we issued our audit completion certificate.

Issue a report to those charged with governance of the Authority summarising the certification (of grant claims and returns) work that we have undertaken. We plan to issue our annual certification report to those charged with governance with respect to the 2013/14 financial year by 31 January 2015.

Key findings

Financial statement audit

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 29 September 2014.

In our view, the quality of the process for producing the accounts, including the supporting working papers was adequate. We will work with the Authority to implement further strengthening of the closedown process, and provision of supporting working papers.

The main issues identified as part of our audit were:

Significant risk 1: Property Asset Valuation

Due to the complexity in accounting for property, plant and equipment and the material values involved, there is a higher risk that asset valuations contain material misstatements.

We agreed the revaluation and impairments to reports provided by the Council's valuation expert. We assessed the qualifications, independence and scope of the Council's valuation expert to ensure we could rely upon the valuation reports provided.

We identified an understatement on the value of HRA assets de-recognised in the year. The projected error was calculated as £0.600 million. This does not impact upon useable reserve balances.

The Authority decided not to amend as the error identified was projected, and not considered material.

We have commented in previous years on weaknesses in the spreadsheets used as a fixed asset register. The register is difficult to use and does not produce quality management information.

Every year that the Council delays in implementing a new fixed asset register makes the task more difficult as officers will have to consider data as far back as 1 April 2007, when the revaluation reserve was first introduced.

Significant risk 2: Assessment of the group boundary

This was the first full year for the Norse Environmental Ltd arrangement. The Council undertook an assessment of the group boundary against the criteria stipulated in the relevant international accounting standards. The purpose of the assessment is to conclude which partnership arrangements fall within the boundary and therefore require consolidating into the Council's Financial Statements.

The assessment concluded that Norse Environmental Ltd did fall within the group boundary as associate undertakings. However, it was judged not material and therefore group accounts were not required. We agreed with the conclusion drawn from this assessment.

Significant risk 3: Localisation of business rates

There were significant changes in the arrangements for business rates from April 2013. One of the main changes is that individual councils now need to provide for rating appeals. This includes not only claims from 1 April 2013 but claims that relate to earlier periods. As appeals are made to the Valuation Office, Councils may not be aware of the level of claims. Councils may also find it difficult to obtain sufficient information to establish a reliable estimate.

Our audit work confirmed that the accounting treatment adopted by the Council for business rates was appropriate and in compliance with the CIPFA Code of Practice.

The business rates appeals provision accounted for by the Council was deemed to have been calculated on a reasonable basis in line with the requirements of the relevant accounting standard.

We identified an understatement of £0.511 million in the provision charged to the Collection Fund. The Authority decided not to amend as the error was not considered material and the cash and general fund impact would not occur until 2015/16.

Significant risk 4: Risk of misstatement due to fraud and error

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

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

We have designed and implemented appropriate procedures to obtain reasonable assurance as to whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. There were no issues arising from this work.

Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2013/14 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 29 September 2014. We noted the following issues as part of our audit.

Financial resilience

Along with many other Councils, Norwich City Council is facing significant financial challenges over the next three to four years.

The Council's external funding sources are reducing and are subject to change and uncertainty in future years. Some of the main areas of uncertainty relate to:

- ▶ Future levels of business rates income.
- ▶ Future funding through the New Homes Bonus.
- ▶ Level of Government funding through the Revenue Support Grant (RSG) and Baseline Funding (business rates).

The Council is acutely aware of the challenges it faces and is continually looking at ways in which services can be provided more efficiently and effectively over the coming years. Officers are also considering how the Council can generate income by operating on a more commercial basis.

The Council has a good track record of delivering savings and meeting its budget. Additional income projects and savings of £3.2 million are built into the 2014/15 budget and good progress has already been made on the 2015/16 savings requirement of £1.6 million.

The Council's financial forecasts that have been reported to Members make clear the scale of the challenge being faced. Some of the key issues reported include:

- ▶ The Council has a cumulative budget gap of around £8 million over the next 5 years (to 2019-20) which will need to be bridged through savings and efficiencies or increased income.
- ▶ The Council has included New Homes Bonus funding to support the base budget in each of the next 5 years. Although officers have calculated this funding on the basis of current trends, this funding stream has not been confirmed beyond 2016-17. If this source of funding was removed, or significantly reduced from 2017-18, the Council would have an additional base budget gap to address from 2017-18.
- ▶ The Council increased its council tax in 2014/15 by 1.95%. Decisions relating to council tax increases, or decreases, have an ongoing impact on the Council's ability to raise revenue in future years due to the annual restrictions on the level of annual increases

In light of the future financial pressures the Council is facing, Members need to continue to consider carefully the impact of any decisions to freeze or reduce council tax or use reserves to support the Council's finances, the ongoing sustainability of the Council's financial position and its ability to maintain service levels in future years.

Whole of government accounts

We notified the National Audit Office that the Authority is below the Whole of Government Accounts threshold and provided the results of our work and supporting calculations to confirm. We did not identify any areas of concern.

Annual governance statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance. We completed this work and did not identify any areas of concern.

Certification of grants claims and returns

We have not yet completed our work on the certification of grants claims and returns. We will issue the Annual Certification Report for 2013/14 in January 2015.

Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we communicated to those charged with governance at the Authority, as required, significant deficiencies in internal control.

Other than the ongoing control weaknesses regarding property, plant and equipment accounting records as outlined in the financial statements key findings section, our audit did not identify any control issues that we need to bring to your attention.

Fees update

A breakdown of our agreed fee is shown below.

	Final fee 2013/14 £	Planned fee 2013/14 £	Actual fee 2012/13 £	Explanation of variance
Total Audit Fee - Code work	117,682	105,652	145,925	See below
Certification of claims and returns	50,395 (Proposed)	56,900	50,442	See below

We communicated our planned fee to you within our Audit Plan issued in February 2014; providing an estimated update within our Audit Results Report issued in September 2014.

Our final fee for code work is £12,030 higher than the planned fee. This is due to correspondence received from a member of the public which we have a duty to consider as part of our audit procedures.

Our fee for certification of grants and claims is yet to be finalised for 2013/14 and will be reported to those charged with governance in January 2015 within the Audit Certification Report for 2013/14. The proposed final fee is £6,505 lower than the planned fee due to some claims no longer requiring certification.

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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. Cabinet approved the council's updated risk management policy and risk management strategy in December 2013.
4. In line with the above documents, 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.

Review of corporate risks

5. As required by the risk management strategy, the corporate leadership team (CLT) has carried out a quarterly review of the key risks to achieving the council's priorities and has updated the corporate risk register.

Corporate risk register

6. The updated register is attached at **annex 1**.
7. One risk relating to community right to challenge (A7) has been removed from the Customer Perspective section of the register. Evidence nationally shows that the likelihood of a challenge is extremely unlikely, and therefore no longer justifies being a corporate risk.
8. Most of the other changes are minor updates to causes, controls or planned actions to further mitigate certain risks. No risk scores have been changed, and all of the residual risk scores are within the council's risk appetite.

Corporate residual risk map

9. A risk map is included at **annex 2** which shows the residual risk level for each of the risks. This gives a visual representation of where each risk sits in relation to the council's risk appetite, ie there should be no risks with a residual score greater than 15, unless specifically approved by cabinet.

Risk management policy

10. The risk management strategy requires cabinet to review the risk management policy on an annual basis. CLT's review of the policy confirmed that it continues to provide the council with an effective approach to risk management and does not therefore require any significant update. The latest version of the policy is attached at **annex 3**.

Risk management developments 2014-15

11. Until recently risk management support was provided by the LGSS risk manager, who has now left. The major development for 2014-15 will be to implement the new structure for internal audit and risk management to ensure that the council continues to receive effective support in the facilitation and co-ordination of risk management processes.

Conclusion

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

CORPORATE RISK REGISTER

Version Date: November 2014

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

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

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

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
A6	Delivery of Joint Core Strategy (JCS). The council, through the Greater Norwich Growth Board, is seeking to promote delivery of the JCS. If delivered, JCS will see more than 30,000 homes built in the greater Norwich area, and 35,000+ jobs created over next 15 years	Delivery of the JCS may be jeopardised by: 1. One or more district councils failing to identify sufficient sites or bring forward detailed development plans to deliver the JCS in the next five years. 2. Markets failing to deliver on preferred development sites identified for housing 3. The government changing allowed approaches to calculating housing land supply to require all the backlog in housing supply that has arisen since 2008 to be met in the next five-year period rather than over the remainder of the plan period of the JCS (ie up to 2026). 4. Failure to deliver the infrastructure required to support development	1. Reputation damage 2. Significant likelihood that the overall development strategy for the Greater Norwich area will not be delivered	EH-R&D	3	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 infratsructure 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	1. Failure to deliver the Norwich Standard within the expected timescale 2. Lack of resources to support a new build programme. 3. Increased tenant dissatisfaction 4. Reduced new build programme.	EH-SP&N	3	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.	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 eg RSG and HRA restructuring.	1. Major reduction in public sector funding, including consequences of changes in funding arrangements for other bodies. 2. Impact on balancing the budget – significant change and financial savings required. 3. Unable to make saving within the required timescales 4. Erosion of reserves 5. Major financial problems 6. Reputation damage 7. Possible industrial action 8. Changes become “knee jerk” 9. Govt intervention 10. Council loses critical mass in key areas 11. Service failures 12. Potential disproportionate impact on the poorest and most vulnerable members of society	CFO	All	5	4	20 (R)	1. Medium Term Financial Strategy incl. reserves policy, financial reporting to BMG& cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated. 2. HRA business plan. 3. Weekly review by CLT of government announcements to assess implications and response required.	5	3	15 (A)					
B2	Income generation	1. Further economic decline. 2. Under-utilisation of assets 3. CIL (community infrastructure levy) income is below expectations. 4. Collapse in world markets leading to loss of income 5. Low economic growth or recession reduces income 6. Other triggers: a) Bethel St Police Station – market value payment b) Triennial pensions review. c) VAT partial exemption. d) Variable energy prices. e) Increasing voids due to market and economy factors. f) Loss of major tenant. g) GNDP board decision or cabinet decision on CIL investment arrangements	1. Inability to raise capital receipts 2. Impact on balancing the budget – significant change and financial savings required. 3. Decline in income streams (eg rents from investment properties) – insufficient funds to maintain current service levels 4. Unable to make saving within the required timescales 5. Erosion of reserves 6. Major financial problems 7. Reputation damage 8. Govt intervention 9. Council loses critical mass in key areas 10. Service failures 11. Potential disproportionate impact on the poorest and most vulnerable members of society 12. Damage/costs across void portfolio 13. Essential infrastructure to deliver growth in the GNDP area is delayed.	CFO	All	5	4	20 (R)	1. 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. GNDP have an agreed investment plan for the Greater Norwich area and have appointed consultants to advise on the use of CIL to help deliver this programme.	3	4	12 (A)					
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. 2. HRA Business Plan. 3. Planning and delivery of transformation (savings) programme. 4. Contract and business relationship management to identify and respond to business delivery risks. 5. Budget development, in-year monitoring and control	2	3	6 (A)					

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
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	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">• ICT failure• Contractor collapse• Severe weather events – storms, heatwaves, strong winds• Flooding• Sea level rise• Fuel shortages• Communications failure• Pandemic• Loss of power The council, businesses and members of the public in the city may 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. The Norfolk Climate Change Partnership has produced a climate change risk assessment for Norfolk local authorities. 6. Adaptations to protect the council from the local effects of climate change and address the causes are covered by corporate strategies such as the environmental strategy and sustainable community strategy, together with service plans. 7. A new business continuity management policy and framework was approved by cabinet 25 June 2014	4	3	12 (A)						
C2	ICT strategy. The council has transferred its ICT service to LGSS and it will rely on LGSS to develop an ICT strategy for the council	ICT strategy fails to support the organisation moving forward and the lean blueprint for a new council	1. Incoherent approach to ICT systems 2. Systems not customer friendly 3. Systems are not integrated with one and other 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.	2	4	8 (A)						
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. 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. Avoid using mobile devices to store or process sensitive or personal data. 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	3	4	12 (A)	Review IT user security policy	Systems support team leader	September 2014	November 2014	G	

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

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

Council Priorities 2012-15:

- 1. To make Norwich a safe and clean city
- 2. To make Norwich a prosperous city
- 3. To make Norwich a city with decent housing for all
- 4. To make Norwich a city of character and culture
- 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)

Norwich City Council

Summary of Residual Scores for Corporate Risks (17)

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

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

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

Green scores (risk score 1 to 5) – monitor as necessary

NORWICH CITY COUNCIL

RISK MANAGEMENT POLICY

Document control

Version	Author	Date	Summary of changes
V0.1d	S Dowson	5/9/13	First draft
V0.2d	S Dowson	10/10/13	Updated following comments from Anton Bull and John Davies
V0.3d	S Dowson	31/10/13	Updated following comments from BMG
V1.0	S Dowson	11/11/13	Final version for committee
V1.1	S Dowson	6/11/14	Minor updates following comments from BMG
V2.0	S Dowson	7/11/14	Final version for committee

Next review date:	October 2015
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NORWICH CITY COUNCIL

RISK MANAGEMENT POLICY

1. INTRODUCTION BY CHIEF EXECUTIVE

Norwich City Council seeks to ensure that services, delivered either directly or through others, are of a high quality, provide value for money and meet evidenced need.

We are a complex organisation that works with a wide variety of other organisations in different and varying ways. As a result we need to ensure that the way we act, plan and deliver is carefully thought through both on an individual and a corporate basis.

The council defines what it seeks to achieve in the form of corporate priorities and details how it expects to deliver them through the corporate plan, as well as service and team plans.

There are many factors which might prevent the council achieving its plans, therefore we seek to use a risk management approach in all of our key business processes with the aim of identifying, assessing and managing any key risks we might face. This approach is a fundamental element of the council's code of governance.

This risk management policy is fully supported by members, the chief executive and the corporate leadership team who are accountable for the effective management of risk within the council. On a daily basis all officers of the council have a responsibility to recognise and manage risk in accordance with this policy and the associated risk management strategy. **Risk management is everyone's business.**

The Accounts and Audit Regulations 2011 state:

The relevant body is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk.

In Norwich City Council risk management is about improving our ability to deliver our strategic objectives by managing our threats, enhancing our opportunities and creating an environment that adds value to ongoing operational activities.

I am committed to the effective management of risk at all levels of this council. This policy, together with the risk management strategy, is an important part of ensuring that effective risk management takes place.

Laura McGillivray
Chief Executive

2. WHAT IS RISK?

The council's definition of risk is:

“Factors, events or circumstances that may prevent or detract from the achievement of the council's corporate priorities and service plan objectives.”

3. RISK MANAGEMENT OBJECTIVE

Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the council's governance framework.

The council will operate an effective system of risk management which will seek to ensure that risks which might prevent the council achieving its plans are identified and managed on a timely basis in a proportionate manner. In practice this means that the council has taken steps to ensure that risks do not prevent the council achieving its corporate priorities or service plan objectives.

4. RISK MANAGEMENT PRINCIPLES

- The risk management process should be consistent across the council, clear and straightforward and result in timely information that helps informed decision making
- Risk management should operate within a culture of transparency and openness where risk identification is encouraged and risks are escalated where necessary to the level of management best placed to manage them effectively
- Risk management arrangements should be dynamic, flexible and responsive to changes in the risk environment
- The response to risk should be mindful of risk level and the relationship between the cost of risk reduction and the benefit accruing, ie the concept of proportionality
- Risk management should be embedded in everyday business processes
- Officers of the council should be aware of and operate the council's risk management approach where appropriate
- Members should be aware of the council's risk management approach and of the need for the decision making process to be informed by robust risk assessment, with cabinet members being involved in the identification of risk on an annual basis.

5. APPETITE FOR RISK

As an organisation with limited resources it is inappropriate for the council to seek to mitigate all of the risk it faces. The council therefore aims to manage risk in a manner which is proportionate to the risk faced based on the experience and expertise of its senior managers. However, cabinet has defined the maximum level of residual risk which it is prepared to accept as a maximum

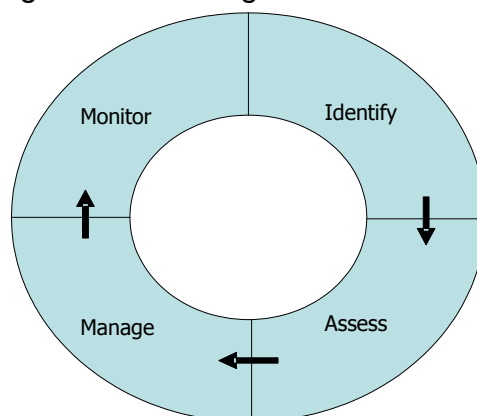
risk score of 15 as per the scoring matrix attached at **appendix 1** (for corporate priority and service plan objective risks). Other areas of risk, such as small projects or health and safety, may have a different risk appetite depending on the circumstances, but only if they do not impact on corporate priorities or service plan objectives.

6. BENEFITS OF RISK MANAGEMENT

- Alerts members and officers to the key risks which might prevent the achievement of the council's plans, in order that timely mitigation can be developed to either prevent the risks occurring or to manage them effectively if they do occur.
- Risk management at the point of decision making should ensure that members and officers are fully aware of any key risk issues associated with proposals being considered.
- Leads to greater risk awareness and an improved and cost effective control environment, which should mean fewer incidents and other control failures and better service outcomes.
- Provides assurance to members and officers on the adequacy of arrangements for the conduct of business. It demonstrates openness and accountability to various regulatory bodies and stakeholders more widely.
- Allows the council to take informed decisions about exploiting opportunities and innovation, ensuring that we get the right balance between rewards and risks.

7. RISK MANAGEMENT APPROACH

The risk management approach adopted by the council is based on identifying, assessing, managing and monitoring risks at all levels across the council:



The detailed stages of the council's risk management approach are recorded in the risk management strategy, which is reviewed by corporate leadership team (CLT) on an annual basis. The strategy provides managers with detailed guidance on the application of the risk management process.

The strategy can be located on citynet [here].

Additionally individual business processes, such as decision making, project management will provide guidance on the management of risk within those processes.

8. AWARENESS AND DEVELOPMENT

The council recognises that the effectiveness of its risk management approach will be dependent upon the degree of knowledge of the approach and its application by officers and members.

The council is committed to ensuring that all members, officers and partners where appropriate, have sufficient knowledge of the council's risk management approach to fulfil their responsibilities for managing risk. This will be delivered thorough formal training programmes, risk workshops, briefings, and internal communication channels.

9. CONCLUSION

The council will face risks to the achievement of its plans. Compliance with the risk management approach detailed in this policy should ensure that the key risks faced are recognised and effective measures are taken to manage them in accordance with the defined risk appetite.

SCORING MATRIX

VERY HIGH	5	10	15	20	25
HIGH	4	8	12	16	20
MEDIUM	3	6	9	12	15
LOW	2	4	6	8	10
NEGLIGIBLE	1	2	3	4	5
<div>IMPACT</div> <div>LIKELIHOOD</div>	VERY RARE	UNLIKELY	POSSIBLE	LIKELY	VERY LIKELY

Red: In excess of the council's risk appetite (risk score 16 to 25) - action needed to redress, quarterly monitoring

Amber: Likely to cause the council some difficulties (risk score 5 to 15) - quarterly monitoring

Green: Monitor as necessary (risk score 1 to 4)

Report to	Audit committee 18 November 2014	Item
Report of	Head of internal audit and risk management, LGSS	7
Subject	Internal audit and fraud team 2014-15 – September to October update	

Purpose

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

Recommendations

To note:

- (1) the work of internal audit between September and October 2014;
- (2) the progress on the 2014-15 internal audit plan;
- (3) the work of the fraud team between April and October 2014;
- (4) the latest position on the national fraud initiative (NFI).

Corporate and service priorities

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

Financial implications

None.

Ward/s: All wards

Cabinet member: Councillor Waters – Deputy leader and resources

Contact officers

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

Background documents

None

Report

Background

1. The internal audit plan for 2014-15, was endorsed by members in March 2014.
2. This report covers the following areas:
 - audit assurance work September to October 2014, plus other areas of non-assurance work
 - the audit plan 2014-15, showing progress against planned audits
 - summary of fraud team work April to October 2014
 - the latest position on the national fraud initiative (NFI).
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 September to October 2014

4. The following areas were reported on between September and October:
 - Council tax – substantial assurance. There was assurance across the processes for maintaining the CTAX database; setting the annual council tax requirement and precept of the collection fund; annual billing, including subsequent exemptions; correct application of discounts, exemptions, refunds and write-offs; and reconciliations to cash receipting and the ledger.

However, the council has a high proportion of dwellings receiving single person discount (SPD) compared to its statistical ‘family’. The revenues service has not had sufficient resources to proactively review these discounts, relying instead on the Audit Commission’s national fraud initiative (NFI) data matching exercise to provide possible cases for further investigation.

To address this, a proposal has been put forward for the council to join a pooled team for a review of all SPDs across Northamptonshire and Norwich. This is currently being discussed with the relevant county councils and a decision on funding is awaited.
 - BACSTEL-IP – moderate assurance. 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 are due to be implemented by the end of December 2014.

- Oracle purchasing – substantial assurance. The Oracle purchasing module enables full electronic processing of purchase orders. There was assurance across the speed of processing requisitions; monitoring of open requisitions and orders; procedures in place for correction of errors; training and guidance provided to staff; and monitoring of proposed orders for compliance to contract procedures.

However, access permissions to Oracle and approval hierarchies are out of date; there appears to be a superfluous step in the approval process; and there is no procurement procedure manual, plus other guidance for users needs updating.

Eight recommendations were agreed which are due to be implemented by March 2015.

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

Non-assurance work

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

- Updating the council's risk management policy and strategy.
- Checking and uploading datasets for the NFI 2014-15 data matching exercise.

Progress against the audit plan

7. Details of the annual audit plan for 2014-15 are shown at annex 1, showing estimated and actual days for each area of audit assurance work, with non-assurance work shown separately.
8. To the end of October 2014, 220 days has been spent on audit assurance work. This includes work on audits started at the end of 2013-14 but not completed. 48 days were also spent on non-assurance work and unplanned request work.
9. One of the IT audits is complete; the four others are nearing completion and should be reported on by the end of November.
10. Discussions on addressing the outstanding assurance reviews in the plan will be held with management and reported back to a subsequent meeting.
11. The planned restructure of the LGSS internal audit service is at the consultation stage, but going forward it is the intention to continue to utilise audit resources from the wider service to carry out audit assurance reviews in the plan.

Summary of fraud team work April to October 2014

12. A summary of work by the fraud team in the current year follows (figures in brackets are for the 2013-14 comparator):
 - Number of benefit cases referred to the fraud team – 393 (559)
 - Number of referred benefit cases investigated – 240 (295)
 - Number of benefit sanctions and prosecutions – 44 (21)

13. At the end of October the fraud team had identified benefit overpayments in excess of £271,600. The annual KPI for this is £160,000 (approximate running costs of the fraud team), so this measure has already been substantially exceeded.
14. By the end of October the fraud team had completed 44 sanctions and prosecutions (the total for the whole of 2013-14 was 40).
15. With benefit fraud work moving to the Department for Work and Pensions (DWP) from April 2015, the fraud team leader spent a large part of August working on a bid document for submission to the Department for Communities and Local Government (DCLG). Funding is available totalling £16.6m that local authorities could bid for to retain a counter-fraud service and work on new and developing areas of counter-fraud including prevention, detection and deterrence work.
16. The bid is for counter-fraud work across LGSS, incorporating partners in Northampton Borough Council, Northamptonshire County Council and Cambridgeshire County Council.
17. The closing date for submissions was 5 September and successful authorities were originally to be informed by the end of October; however, the outcome has been delayed until at least 17 November to allow ministers more time to review the bids.

National fraud initiative (NFI) 2012-13

18. This is the main data matching exercise by the Audit Commission which occurs every two years. The results were received at the end of January 2013.
19. There are 74 reports, mainly covering benefits and housing, and a total of 2,677 matches.
20. The majority of matches relate to housing benefit. Staff in the relevant service areas have made good progress in reviewing matches to identify any further action that needs to be taken – to date 93% of reports have been closed. The council's progress was rated as 'green' by the external auditors in their last audit results report.
21. So far the exercise has uncovered one housing fraud which led to the recovery of a council property.
22. In addition, £166,518 of housing benefit overpayments has been 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.
23. Finally, a duplicate creditor payment of £2,993 from 2010 was identified. Following investigations by council staff and the supplier a full refund was received.
24. All of the required datasets for the 2014-15 data matching exercise in October 2014 have been uploaded. The resulting matches should be made available by the end of January 2015.
25. For members' information, the Audit Commission's annual fraud report '*Protecting the Public Purse 2014*' is now available on e-bulletin.

LGSS Internal Audit - Internal Audit Plan for Norwich City Council 2014-15			
	2014-15		
	Estimated days	Actual to Wk 31	
Audit Assurance Work			Comments/latest position
Fundamental systems			
Purchasing	20	25.0	Complete
Accounts receivable (debtors)	15	6.5	In progress
NCC payroll	15)
Housing rents/arrears	20) Audited under managed audit regime. Scope subject to further discussion with EY
Housing & council tax benefits	25)
Council tax	15)
NNDR	15)
Sub-total	125	31.5	
Corporate			
Procurement & contract management arrangements:	35		Allowance for possible input to tendering, monitoring, procedural compliance. Involvement in specific contracts. Plus presence on project teams
New bank contract		15.1	Audit presence on project team
NPS		3.0	Preparation
Permit parking		0.7	
Claims certification	20		
Probity	20		
Sub-total	75	18.8	
Business relationship management			
Financial IT system replacement	30		Upgrade or replace Oracle Financials. Q4
Council tax & NNDR systems	15		VFM review - impact of scheme changes on collection rates
ICT audits:	60	67.4	Incl. embedded assurance - Corporate Information Assurance Group; input to IT audits
Civica			Testing complete
Northgate			Testing complete
Workforce			Testing complete
Parking Gateway			Testing complete
Bacstel IP			Complete
Sub-total	105	67.4	
Operations			
CIL income	10		November/December, if sufficient transactions
Provision market	15	11.8	Complete
Licensing	10		Jan/Feb 2015
Leasehold services	15		Q4
Cemeteries	15		Q4
Home improvements	15		December
Parking income	15		Mid-November
Sub-total	95	11.8	
Customers, communications & culture			
Land charges	10	13.9	Draft report issued

Audit Assurance Work	Estimated days	Actual to Wk 31	Comments/latest position
Sub-total	10	13.9	
Non-specific			
Ad-hoc investigations	20	2.2	Contingency (no major investigations to date)
To complete 2013-14 plan	35		
Managing customer demand		6.1	Complete
Payroll		3.9	Complete
NNDR		5.4	Complete
C Tax		5.2	Complete
Commissioning		0.0	Testing complete
Housing benefits		5.6	Complete
Treasury management		0.6	Complete
Purchase cards		13.9	Complete
Accounts payable		10.5	In progress
Follow-ups	25	10.3	Follow ups required by PSIAS
Sub-total	80	63.7	
Total for audit assurance work	490	207.1	
Consultancy & non-assurance work			
Corporate governance	30	13.8	Preparation of AGS; corporate governance group; update code of governance
Anti-fraud and NFI work	45	27.1	Fraud risks; key contact for NFI 2014-15 (upload data & ensure matches investigated)
Advice, unplanned work requests	35	19.7	Contingency
Total for non-assurance/consultancy work	110	60.6	
Total Allocated Days	600	267.7	
Indicative resources post-restructure			
Head of audit	10		
Principal client auditor	140		
Client auditors x 2	400		
LGSS support	50		
	600		