

Audit committee

Date: Tuesday, 17 November 2015

Time: 16:30

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

Committee members:

Councillors:

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

For further information please contact:

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

Democratic services
City Hall
Norwich
NR2 1NH

www.norwich.gov.uk

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Agenda

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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 Declarations of interest	
(Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting)	
4 Minutes	5 - 8
To approve the accuracy of the minutes of the meeting held on 22 September 2015.	
5 Annual audit letter	9 - 24
Purpose - This report presents the annual audit letter.	
6 Risk management report	25 - 46
Purpose - To update members on reviews by the corporate leadership team of the key risks facing the council and the associated mitigating actions and the council's risk management policy.	
7 Internal audit 2015-16 – September to October update	47 - 52
Purpose - To advise members of the work of internal audit between September and October 2015, and progress against the 2015-16 internal audit plan.	
8 Local government audit committee briefing	53 - 64
This item is for information.	
Briefing note provided by Ernst & Young, the council's external auditors, for audit committees in the local government sector.	

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



Audit committee

16:30 to 17:50

22 September 2015

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

Apologies: Councillors Wright (vice chair) and Driver

1. Public questions/petitions

There were no public questions or petitions received.

2. Declarations of interest

There were no declarations of interest.

3. Minutes

RESOLVED to approve the accuracy of the minutes of the meetings held on:

- (1) 23 June 2015; and,
- (2) 7 July 2015, subject to deleting the references to the chief finance officer and replacing with chief accountant.

4. Annual governance statement 204-15

The internal audit manager (LGSS) presented the report. He pointed out the amendments to the annual governance statement following the review by the external auditor, which were shown as tracked changes. The tracked changes would be removed from the final document.

The chief finance officer advised the committee that the leader of the council and the chief executive officer would sign off the annual governance statement on behalf of the council.

RESOLVED to approve the Annual governance statement for 2014-15.

5. Audit results report 2014-15

The chief finance officer introduced the report.

The external auditor (Rob Murray, director, Ernst & Young) presented the appended report and said that he expected that the audit would be completed by 30 September 2015 and that an unqualified opinion would be given.

During the presentation, the external auditor answered members' questions on the external auditor's report and the uncorrected audit misstatements contained in appendix 1 of the report. He explained that short term creditors had been included as an uncorrected audit misstatement despite falling below the council's de-minis (£5,000). He explained that the misstatement had been identified during the audit of the accounts but the additional work incurred had not been significant and it was not intended to ask for an increase in the fees. In reply to a question about the extrapolation of factual errors, the external auditor confirmed that he was satisfied that these were not material.

Discussion ensued in which the chief finance officer said that the council had approved the purchase of finance system software in June and that progress would then be made to procure a fixed asset register.

In reply to the chair's request that the council's accounts were audited earlier, the external auditor said that he would ensure that his successor was aware of this request. He explained that councils would need to work to tighter deadlines in future.

The chief finance officer presented the draft letter of management representation appended to the report as appendix B.

RESOLVED to:

- (1) approve the draft letter of management representation as set out in appendix B of the report;
- (2) note the "uncorrected audit misstatements" set out in appendix 1 of the audit results report (as set out in appendix A of the report).

6. Statement of accounts 2014-15

The chief finance officer presented the report and said that there had been few changes to the audited statement. No major issues were likely to arise from the outstanding work of the external auditors to complete the audit.

RESOLVED to:

- (1) approve the Statement of accounts 2014-15;
- (2) delegate to the chief finance officer, in consultation with the chair, the signing off of the accounts by 30 September 2015.

7. Internal audit 2015-16 – June to August update

The internal audit manager (LGSS) presented the report. During discussion members noted that the public protection manager had given assurance that the market rents would be reviewed for 2016-17. Members also noted the clarification provided in the report about the retention of emails. The council's retention policy stipulated the length of time for financial documents to be retained which was generally six years, but legal and contractual documents could be kept for a longer period.

The chief finance officer said that on 7 September 2015, the county council had agreed to fund the review of single person discounts. The chair said that the last time the exercise had been conducted around 850 people had been identified who were no longer eligible for the single person discount. The internal audit manager said that the county council received 70% of the council tax that the city council collected and therefore benefited from the exercise which had previously been carried out every two years. The exercise would be conducted by LGSS. The committee noted that the discount was cancelled and that the council did not issue a fixed penalty notice. The committee noted that some authorities issued fixed penalty notices of around £70 to £200 for people who were not entitled to receive the single person discount. Members considered that the council should consider this in future as there was no incentive for people to inform the council about changes to their circumstances.

RESOLVED to note the:

- (1) work of internal audit between June and August 2015;
- (2) progress on the internal audit plan;
- (3) latest counter fraud developments.

CHAIR

Report to Audit committee
17 November 2015
Report of Chief finance officer
Subject Annual audit letter

Item
5

Purpose

This report presents the annual audit letter.

Recommendation

The committee is asked to review and note the attached report from the council's external auditor.

Corporate and service priorities

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

Financial implications

There are no direct financial implications arising from this report.

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and income generation

Contact officers

Justine Hartley, chief finance officer 01603 212440

Philippa Dransfield, chief accountant 01603 212562

REPORT

Background

1. The annual audit letter communicates to the members of Norwich City Council the key issues arising from the audit work carried out for the year ended 31 March 2015 by our external auditors. The letter is brought to the attention of all members and is also made available to external stakeholders, including members of the public, by publication on the council's website alongside the statement of accounts.

Key Findings, control themes and observations

2. The detailed findings of the audit work were reported to this committee on 22 September 2015 in the 2014-15 audit results report. The key findings, control themes and observations contained in the letter are based on the findings in the audit results report.

Looking Ahead

3. Section 4 of the letter draws attention to changes that will be needed to the accounts in the coming years. In particular, the Accounts and Audit Regulations will require the Council to produce draft accounts by 31 May each year, and these accounts to be audited by 31 July, from 2017-18.

Fees Update

4. The audit committee should note the audit fees for the 2014-15 Statement of Accounts, which are equivalent to the scale fees, and the fee proposed for the certification of claims and returns.

Norwich City Council

Annual Audit Letter for the year ended 31 March 2015

12 October 2015

Ernst & Young LLP



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

12 October 2015

Dear Members

Annual Audit Letter 2014/15

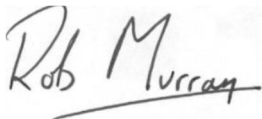
The purpose of this annual audit letter is to communicate the key issues arising from our work to the Members and external stakeholders, including members of the public.

We have already reported the detailed findings from our audit work in our 2014/15 audit results report presented to the 22 September 2015 Audit Committee, representing those charged with governance. We do not repeat those findings here.

The matters reported here are those we consider most significant for Norwich City Council.

We would like to take this opportunity to thank officers for their assistance during the course of our work.

Yours faithfully



Rob Murray

Executive Director
For and on behalf of Ernst & Young LLP

Enc.

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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014-15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the accountable officer of each audited body and via the [Audit Commission's website](#).

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

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

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

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

1. Executive summary

Our 2014/15 audit work was undertaken in accordance with our Audit Plan issued on 5 March 2015 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 Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for having 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, and on the consistency of other information published with them
- reviewing and reporting by exception on the Council’s AGS
- forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statement of Norwich City Council for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland)	On 25 September 2015 we issued an unqualified audit opinion on the Council’s financial statements
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources	On 25 September 2015 we issued an unqualified value for money conclusion
Report to the National Audit Office on the accuracy of the consolidation pack the Council needs to prepare for the Whole of Government Accounts	The Council is below the specified audit threshold of £350 million. Therefore we did not perform any audit procedures on the consolidation pack and submitted the required audit assurance statement confirming the threshold position.
Consider the completeness of disclosures on the Council’s AGS, identify any inconsistencies with other information which we know about from our work and consider whether it complies with CIPFA/ SOLACE guidance	No issues to report
Consider whether we should make a report in the public interest on any matter coming to our notice in the course of the audit	No issues to report
Determine whether we need to take any other action in relation to our responsibilities under the Audit Commission Act	No issues to report

As a result of the above we have also:

Issued a report to those charged with governance of the Council communicating the significant findings from our audit.

Our Audit Results Report was presented to the Audit Committee on 22 September 2015.

Issued 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.

We issued our certificate on 25 September 2015.

In December 2015, we will also issue a report to those charged with governance of the Council summarising the certification (of grant claims and returns) work we have undertaken.

2. Key findings

2.1 Financial statement audit

The Council's Statement of Accounts is an important tool to show both how the Council has used public money and how it can demonstrate its financial management and financial health.

We audited the Council'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 and issued an unqualified audit report on 25 September 2015.

Our detailed findings were reported to the 22 September 2015 Audit Committee.

In our view, the quality of the process for producing the accounts, including the supporting working papers was generally good.

The main issues identified as part of our audit were:

Significant risk 1: Property, plant and equipment (fixed assets)

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

Due to the complexity in accounting for property, plant and equipment and the material values involved, these weaknesses increase the risk that asset valuations and capital expenditure contain material misstatements.

Findings:

-
- ▶ **We did not identify any material misstatements or evidence of management bias in our testing of accounting treatment of valuations made in the year, including the assessment and treatment of impairments.**
 - ▶ **Our evaluation of the competence, capabilities and objectivity of the Council's valuation expert concluded we could place assurance on their work.**
-

Significant risk 2: Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

One area which may be susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.

Findings:

-
- ▶ **We did not identify any material misstatements, evidence of management bias or significant unusual transactions in our testing of journals and estimates.**
 - ▶ **Our testing to identify if any expenditure had been inappropriately capitalised did not identify any material mis-statements.**
-

We have no other matters to report.

2.2 Value for money conclusion

As part of our work we must also conclude whether the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014-15 value for money conclusion was based on two criteria. We consider whether the Council had proper arrangements in place for:

- ▶ securing financial resilience, and
- ▶ challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 25 September 2015.

We noted the following as part of our audit:

Arrangements to secure financial resilience: significant risk

Along with other Council's, 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 likely to be subject to change and uncertainty in future years. The Council's medium term financial strategy, approved in February 2015, identified a cumulative budget gap of £4.6 million over the next three years.

Findings:

We have undertaken a review of the medium term financial strategy (MTFS) and the assumptions included within it. Norwich City Council has plans in place to address the significant financial challenges they face in the coming years. The Council's track record of achieving savings, and the level of general fund reserves held reduce the risk of the Council failing to effectively set and achieve its budgets over the medium term.

The Council have taken a prudent approach to future Government funding by assuming no new New Home Bonus and phasing out of formula funding by 2019/20.

We have also assessed the level of reserves, both general fund (£9.6 million) and earmarked reserves (£4.1 million) that the Council has at 31 March 2015. We are comfortable that the level of reserves held by the Council covers the budget gap identified within the MTFS.

Clearly, the Council needs to continue to review the delivery of the identified savings plans to ensure that they deliver the financial savings required in the planned timeframe. The MTFS should be updated to take account of this delivery and thus safeguard the level of general fund reserves that the Council holds.

2.3 Whole of Government Accounts

We performed the procedures required by the National Audit Office. The Council is below the specified audit threshold of £350 million and therefore we were not required to audit the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. We made our audit assurance submission in line with the deadline.

2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's AGS, identify any inconsistencies with the other information which we know about from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

2.5 Objections received

We did not receive any objections to the 2014/15 financial statements from members of the public.

2.6 Other powers and duties

We did not identify any issues during our audit that required us to use our powers under the Audit Commission Act 1998, including reporting in the public interest.

2.7 Independence

We communicated our assessment of independence to the Audit Committee on 25 September 2015. In our professional judgement the firm is independent and the objectivity of the audit engagement director and audit staff has not been compromised within the meaning of regulatory and professional requirements

2.8 Certification of grant claims and returns

We have not yet completed our work on the certification of the claims and returns. We will issue our Annual Certification report for 2014/15 in December 2015.

3. Control themes and observations

As part of our work, we obtained enough understanding of internal control to plan our audit and determine the nature, timing and extent of testing performed. We have not tested the individual system controls of the Council as we have adopted a fully substantive approach to our audit.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to tell the Council about any significant deficiencies in internal control we find during our audit.

We did not identify any significant deficiencies in the design of an internal control that might result in a material misstatement in the Council's financial statements.

4. Looking ahead

There are a number of changes in accounting and auditing requirements that could have a significant impact on the Council's arrangements for the production of its financial statements. We have outlined what we think are two of the main challenges below.

Description	Impact
<p>Highways Network Asset (formerly Transport Infrastructure Assets):</p> <p>The Invitation to Comment on the Code of Accounting Practice for 2016/17 sets out the requirements to account for Highways Network Assets under Depreciated Replacement Cost. This is a change from the existing requirement to account for these assets under Depreciated Historic Cost. This change is to be effective from 1 April 2016.</p> <p>This requirement is not only applicable to highways authorities, but to any local government bodies that have assets which fall into the definition. This could include, for example, footways and cycle ways, housing revenue accounts (HRA) infrastructure, unadopted roads on industrial or HRA estates, and street furniture.</p> <p>This may be a material change of accounting policy for the Council. It could also require changes to existing asset management systems and valuation procedures.</p>	<p>The Authority should consider whether it holds any assets that would be classified as highways network assets and, if so, whether they have the necessary information to implement the changes in accounting for these assets from 1 April 2016.</p> <p>Even though it is not a highways authority, the requirements may still impact if it is responsible for assets such as:</p> <ul style="list-style-type: none"> • Footways • Housing revenue account (HRA) infrastructure • Unadopted roads in industrial or HRA estates • Cycleways • Street Furniture <p>If the impact of this change in accounting policy is material, the Authority would also need to restate the balances for these assets as at 1 April 2015.</p>
<p>Earlier deadline for production and audit of the financial statements from 2017/18</p> <p>The Accounts and Audit Regulations Accounts and Audit Regulations 2015 were laid before Parliament in February 2015. A key change in the regulations is that from the 2017/18 financial year the timetable for the preparation and approval of accounts will be brought forward.</p> <p>As a result, the Council will need to produce draft accounts by 31 May and these accounts will need to be audited by 31 July in 2018.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>The Council is aware of this challenge and the need to start planning for the impact of these changes.</p> <p>This will include the need to review the current processes for the production of the accounts and the associated supporting working papers, including areas such as the production of estimates, particularly in relation to pensions and the valuation of assets, and the year-end closure processes.</p>

5. Fees

Our fee for 2014/15 is in line with the scale fee set by the Audit Commission and reported in our Audit Plan.

	Proposed final fee 2014/15	Scale fee 2014/15	Variation comments
	£	£	
Audit Fee: Code work	106,552	106,552	No change proposed
Certification of claims and returns	38,310	38,310	Note 1

Note 1 – Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission. This will be reviewed in light of the work required in 2014/15

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Report to Audit committee
17 November 2015
Report of Head of internal audit and risk management, LGSS
Subject Risk management report

Item
6

Purpose

To update members on reviews by the corporate leadership team of the key risks facing the council and the associated mitigating actions and the council's risk management policy.

Recommendation

To endorse the proposed amendments to the corporate risk register and risk management policy and recommend to cabinet for approval.

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 and risk management, 01223 715317
LGSS

Steve Dowson, internal audit manager, LGSS 01603 212575

Background documents

None

Report

Background

1. Risk management is a fundamental aspect of the council's business practices. Cabinet has an executive role in the management of risks across the council in its role of ensuring the delivery of the council's priorities.
2. Audit committee provides independent assurance of the adequacy of the council's risk management framework and the associated control environment.
3. Cabinet approved the council's updated risk management policy on 10 December 2014.
4. The corporate risk register was previously reported to audit committee on 23 June 2015 and cabinet on 8 July 2015.

Review of corporate risks

5. The template for risk registers includes scoring for **inherent** risks (before any mitigating controls are considered) and **residual** risk (after taking account of key controls, which are listed). Any planned actions to further mitigate risks are also shown.
6. As required by the risk management strategy, on 14 October 2015 the corporate leadership team (CLT) carried out its quarterly review of the key risks to achieving the council's priorities and has updated the corporate risk register.

Corporate risk register

7. The updated risk register with tracked changes is attached at **appendix 1**.
8. The first point to note is that the residual risk score of 20 for risk B1, public sector funding, remains above the council's risk appetite (maximum 15). This was approved by cabinet on 8 July 2015, and CLT's view is that the impending comprehensive spending review (CSR) is likely to increase the pressure on finances; therefore this should remain as a 'red' risk.
9. Significant changes to the risk register are as follows:
 - (a) Risk A1, customer demand – action added relating to the refresh of the council's website to incorporate improvements such as interactive forms, customer portal, full functionality on mobile devices, all of which should help to reduce visits to City Hall.
 - (b) Risk A4, safeguarding duties – key controls and actions updated.
 - (c) Risk A6, delivery of the joint core strategy (JCS) – the first cause, relating to failure to identify sufficient sites, has been removed as all districts now have plans at or through examination. The other causes still apply, and in some cases the risks have increased. For example, the rate of allocated sites being brought forward is slow; a funding deficit still remains; there is a risk to income from business rates as conversions from office use to residential use no longer require

planning permission. For these reasons the residual likelihood score has increase from two to three, meaning the overall residual risk score is now nine (still amber).

- (d) Risk A8, housing investment strategy – causes have been amended to reflect the 1% government cut in social housing rent and improved right to buy incentives, with the effect that the housing investment plan may need to be reprogrammed. This has increased both the inherent and residual risk scores to twelve and nine respectively (both amber), and an action has been added to review the housing investment plan. Also, the provisions in the draft housing and planning bill currently going through parliament will have significant implications for the council's housing investment plan. Once further details are known the effects on the plan will be looked at in detail and reported to members, with the corporate risk register updated accordingly.
- (e) Risk B2, income generation – action added relating to the commissioning of an independent review of income generating opportunities.
- (f) Risk C1, emergency planning and business continuity – further controls added around business continuity.
- (g) Risk D1, industrial action – based on the low impact from the most recent industrial action the residual impact score has reduced from three to two, as there are well embedded business continuity and industrial action plans. The residual likelihood score has increased from two to three to reflect uncertainties over a pay deal for 2016-17 or longer and further government plans for pension funds. The overall risk score remains at six (amber).

10. Most of the other changes are minor updates to causes, controls or planned actions to further mitigate certain risks, including actions that have been completed.

Corporate residual risk map

- 11. An updated risk map is included at **appendix 2** which shows the residual risk level for each of the risks. This gives a quick view of where each risk sits in relation to the council's risk appetite, ie there should be no risks with a residual score greater than 15, unless specifically approved by cabinet.
- 12. As mentioned above the residual risk score for B1, public sector funding, remains above the council's level for risk appetite. All other residual risk scores are amber.

Risk management policy

- 13. 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 main change is to the chief executive's introduction, which has been updated to reflect the wording in the latest Accounts and Audit Regulations 2015.
- 14. The latest version of the policy showing tracked changes is shown at **appendix 3**.

Conclusion

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

CORPORATE RISK REGISTER

Version Date: October 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 reduction scheme; universal credit	1. Unable to cope with demand 2. Complaints 3. Reputation damage 4. Increased homelessness risk to housing	EH-CC&C	All	4	4	16 (R)	1. Proactive research on customer profile, forward planning, eg anticipating future events that will generate higher demand and use of data held to map and channel shift. 2. Data capture, consultation, survey and service planning. 3. Being robust about the role and responsibilities of Norwich City Council	3	2	6 (A)	1. Customer service improvement plan for F2F service - Phase 1 2. 'Self-serve' website refresh, incl. interactive forms, housing repairs diagnostics, customer portal. Also full functionality on mobile devices	Head of customer services Head of customer services	Ongoing March 2016 January 2016	Mar-16	G G
A2	Delivery of the corporate plan and key supporting policies and strategies within the council's strategic framework	Corporate priorities are not on target to be delivered. The council has a clear set of corporate priorities within its corporate plan. Within the council's wider strategic framework, there are a number of key corporate strategies and policies which must be delivered across the organisation to realise the council's priorities e.g. environmental strategy, housing strategy etc Policy from the new government will be further changing the framework for local government and put new requirements on the council that must be met in a number of different areas. When this is combined with the very significant savings the council will need to make to meet the government funding reductions, there is a risk that these changes will reduce the capacity of the council to deliver on its key corporate priorities.	1. Key priorities for the city are not delivered 2. Adverse public opinion 3. Projects / work completed to a lower quality 4. Negative impact on outcomes for citizens 5. Negative performance ratings for the council 6. Continual over-stretching of capacity	EH-SP&N	All	4	4	16 (R)	1. Regular review of corporate plan, medium term financial strategy and other key policies and strategies. 2. Effective performance and programme management 3. Corporate planning and service planning aligned with budget setting to ensure resources are in place to deliver priorities. 4. Effective preparation for changes in government policy. 5. Effective transformation programme to ensure savings are delivered.	2	4	8 (A)					

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. Governance structure is in place to manage the individual partnership agreements (eg NPS Norwich Board, LGSS liaison group, NP Law Board, all major contracts have strategic and operational governance arrangements with officer and member representation.</p> <p>2. In response to the council operating model training requirements have been reviewed and staffing structures refreshed to reflect this change.</p> <p>3. A contract and business relationship management toolkit has been deployed. This aims to create consistency of management of both financial and performance objectives and monitoring and management of all economic, social and environmental issues associated with the service.</p> <p>4. Internal audit has reviewed arrangements to ensure that robust governance by client managers is in place for LGSS, nplaw, NPS Norwich, Norwich Norse (Environmental) and Norse Environmental Waste Service. Reported to CLT in April 2015 - result was 'substantial' assurance opinion.</p> <p>5. Regular reviews of joint ventures</p>	2	4	8 (A)						

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
A4	Safeguarding children, vulnerable adults and equalities duties	<p>1. Safeguarding and equalities duties and responsibilities not embedded throughout the council and its contractors/ commissioned services/ partners.</p> <p>2. Continued change in council service delivery model with an increase in the number of partnership arrangements is likely to require new arrangements for the delivery of safeguarding and equalities duties.</p> <p>3. Impact of cuts on care services and benefit funding.</p> <p>4. Critical incident</p> <p>5. Change in contractor/ commissioned service/partner</p> <p>6. Reduced service provision</p> <p>7. Not being able to attract staff with diverse abilities and backgrounds</p> <p>8. Reviews of safeguarding at Norfolk County Council found a number of significant issues, which increases the risks for partner organisations</p>	<p>1. Vulnerable adults and children at greater risk of exclusion or harm</p> <p>2. Individuals from a community of identity dealt with inappropriately and at risk of exclusion</p> <p>3. Risk of judicial review on accessibility of services</p> <p>4. Risk of damage to reputation if an employee discrimination claim is made based on equalities legislation</p> <p>5. NCC's reliance on systems at Norfolk and impact on Norwich City Council if these are inadequate</p>	EH-SP&N	All	3	4	12 (A)	<p>1. Safeguarding children policy and procedures in place and reviewed annually through safeguarding group.</p> <p>2. Safeguarding adult policy and procedures in place and reviewed annually.</p> <p>3. Safeguarding duties included in new contracts to ensure duties are embedded with new contractors. Where appropriate, joint training/ awareness sessions are held.</p> <p>4. Equalities duties overseen by BMG</p> <p>5. A contract and business relationship management toolkit has been deployed. This aims to create consistency of management of both financial and performance objectives and monitoring and management of all economic, social and environmental issues associated with the service and particularly in relation to safeguarding</p> <p>6. Equality training undertaken for all staff and managers</p> <p>7. Managing mental health training for managers</p> <p>8. Safeguarding training provided to all staff.</p> <p>9. Safeguarding guidance provided to all councillors</p> <p>10. External reviews of the council's approach</p> <p>11. Annual self-assessments against Sec.11 of Children Act 2014, then challenge session with chair of Norfolk Safeguarding Children Board (NSCB). Confirmed that NCC is playing its part in the NSCB and is alert to its duties and responsibilities.</p> <p>12. NCC plays full part in Norfolk Public Protection Forum</p> <p>13. NCC chief executive chairs Community Safety Partnership linking to domestic abuse across the county</p> <p>14. Constantly monitoring outcomes from serious case reviews (children adult and domestic abuse) and ensure any recommendations are actioned.</p>	2	4	8 (A)	<p>1. Work is progressing with contract managers to ensure monitoring and annual reporting of cross cutting themes including safeguarding and equalities is undertaken consistently with contractors.</p> <p>2. Training for all staff being reviewed to ensure it is relevant to job roles and reflects emerging safeguarding issues and priorities.</p> <p>3. Action plan developed to ensure continual improvement against Sec 11 of the Children Act 2014 - progress will be reported to a future cabinet</p>	Head of local neighbourhood services	Jul-14	Sep-15 Complete for 'Platinum' contractors; currently reviewing 'Gold' contractors	G
												<p>2. Training for all staff being reviewed to ensure it is relevant to job roles and reflects emerging safeguarding issues and priorities.</p>	Head of local neighbourhood services	From Oct-15 onwards		G	
												improvement against Sec 11 of the Children Act 2014 - progress will be reported to a future cabinet	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 or the number of commercial premises in the City reduce.	1. Reputation damage 2. Significant likelihood that the overall development strategy for the Greater Norwich area will not be delivered	EH-R&D	2 & 4	3	4	12 (A)	1. Ensuring that strategies being prepared with GNGB colleagues are as robust as possible and firmly grounded in reliable evidence. 2. Inter-authority working based on consensus decision-making ensures all parties are in agreement with the proposed agreed policy framework. 3. All policy work is supported by comprehensive and up-to-date evidence in accordance with government guidelines. 4. Greater Norwich Growth Board responsible for ensuring funding is available for investment in infrastructure to support growth.	2 3	3	6 (A) 9 (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 is currently planned to be repaid over a period not exceeding 30 years. In addition to debt repayments the council has adopted a new standard for investment in the housing stock and a commitment to fund a new build programme	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: • compulsory 1% reduction in social housing rent for next four years wef April 2016 • higher level of council house sales due to improved incentives • increasing debt or other factors 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. Reduced tenant satisfaction 4. Reduced new build programme. Need to reprogramme the housing investment plan	EH-SP&N	4	3 4	3	9 (A) 12 (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	3	6 (A) 9 (A)	Review housing investment plan	EH-SP&N CFO	Feb-16		G

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
FINANCE AND RESOURCES																	
B1	Public sector funding	<p>1. Further economic decline.</p> <p>2. Change in national government policy as a result of the economic position</p> <p>3. New policies and regulations place a major financial burden on the council</p> <p>4. Effects of funding cuts on major partners despite increased referrals, eg health and social care, may result in increased costs for the council</p>	<p>1. Major reduction in public sector funding, including consequences of changes in funding arrangements for other bodies.</p> <p>2. Impact on balancing the budget – significant change and financial savings required.</p> <p>3. Unable to make saving within the required timescales</p> <p>4. Erosion of reserves</p> <p>5. Major financial problems</p> <p>6. Reputation damage</p> <p>7. Possible industrial action</p> <p>8. Changes become “knee jerk”</p> <p>9. Govt intervention</p> <p>10. Council loses critical mass in key areas</p> <p>11. Service failures</p> <p>12. Potential disproportionate impact on the poorest and most vulnerable members of society</p>	CFO	All	5	5	25 (R)	<p>1. Comprehensive 5-year transformation programme based on minimum resource allocation and robust benefit realisation.</p> <p>2. Medium Term Financial Strategy incl. reserves policy, financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated.</p> <p>3. HRA business plan.</p> <p>4. Weekly review by CLT of government announcements to assess implications and response required.</p> <p>5. Keep service design under review</p> <p>6. Continual review of financial position by the council and major partners</p>	5	4	20 (R)	<p>Report to cabinet for approval in line with risk management policy</p>	Chief finance officer	Complete - reported and approved 8 July 2015		
B2	Income generation	<p>1. Further economic decline.</p> <p>2. Under-utilisation of assets</p> <p>3. CIL (community infrastructure levy) income is below expectations.</p> <p>4. Collapse in world markets leading to loss of income</p> <p>5. Low economic growth or recession reduces income</p> <p>6. Other triggers:</p> <p>a) Bethel St Police Station – market value payment</p> <p>b) Triennial pensions review.</p> <p>c) VAT partial exemption.</p> <p>d) Variable energy prices.</p> <p>e) Increasing voids due to market and economy factors.</p> <p>f) Loss of major tenant.</p> <p>g) GNGP board decision or cabinet decision on CIL investment arrangements.</p> <p>h) The council increasingly relies on income from NNDR (business rates). This is a volatile income stream and may be at risk from changes to Government policy around planning and if other councils allow commercial developments on the edge of the city but outside the boundary.</p> <p>i) Lack of experience in some services for generating income</p>	<p>1. Inability to raise capital receipts</p> <p>2. Impact on balancing the budget – significant change and financial savings required.</p> <p>3. Decline in income streams (eg rents from investment properties) – insufficient funds to maintain current service levels</p> <p>4. Unable to make saving within the required timescales</p> <p>5. Erosion of reserves</p> <p>6. Major financial problems</p> <p>7. Reputation damage</p> <p>8. Govt intervention</p> <p>9. Council loses critical mass in key areas</p> <p>10. Service failures</p> <p>11. Potential disproportionate impact on the poorest and most vulnerable members of society</p> <p>12. Damage/costs across void portfolio</p> <p>13. Essential infrastructure to deliver growth in the GNGP area is delayed.</p>	CFO	All	5	4	20 (R)	<p>1. Comprehensive 5-year transformation programme based on minimum resource allocation, maximisation of income generation and robust benefit realisation.</p> <p>2. Medium Term Financial Strategy incl. reserves policy, capital and revenue financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated.</p> <p>3. HRA business plan kept under review.</p> <p>4. GNGP have an agreed investment plan for the Greater Norwich area and have appointed consultants to advise on the use of CIL to help deliver this programme.</p> <p>5. Clear strategy for investment</p> <p>6. Commercial skills training provided to all Heads of Service</p> <p>7. Element of CIL programme controlled by Norwich prioritised and caution taken to ensure spend not incurred until monies certain to be received.</p>	4	3	12 (A)	<p>Independent review of income generating opportunities</p>	EH-SP&N	Feb-16		G

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	Action Status RAG
B3	Level of reserves The council has a legal duty to ensure it has a prudent level of reserves to conduct its business	1. Government policy. 2. Economic climate 3. Reserves fall below acceptable levels	1. Inadequate levels of reserves publicly reported by external auditors 2. Government intervention 3. Impact on reputation of the council	CFO	All	3	4	12 (A)	1. Medium term financial strategy (MTFS). 2. Development of the 5-year corporate plan and transformation programme in conjunction with the MTFS. 3. HRA Business Plan. 4. Planning and delivery of transformation (savings and income generation) programme. 5. Contract and business relationship management to identify and respond to business delivery risks. 6. Budget development, in-year monitoring and control	2	3	6 (A)					
B4	Capital developments	1. Housing / other developments may take longer to proceed than planned. 2. Housing / other developments may cost more than planned . 3. Interest rates on debt may rise beyond projections. 4. Developments may not generate planned levels of income.	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 6. Business plan for new housing development company approved by cabinet and company's own risk register	3	4	12(A)					

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

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Corporate Priorities	Likelihood	Impact	Score and RAG		Likelihood	Impact	Score and RAG	Actions	Owner	Target Date	Revised Target Date	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. Potential harm to data subjects through loss, release or corruption of personal data 3. Reputational risk	EH-BRM&D	5	5	4	20 (R)	1. Regularly remind all managers, employees and members of their responsibilities for the use of and security of data. 2. Prohibit using mobile devices to store or process sensitive or personal data unless device is encrypted. 3. Encrypt lap tops and data sticks when they are used to store or process sensitive or personal data. 4. Proper disposal of confidential waste. 5. Updated IT User Security policy issued June 2013 April 2015 to all staff and other people who access the councils systems (e.g. partners, contractors etc.) 6. The council has achieved public sector network (PSN) & payment card industry (PCI) compliance 7. The council has introduced an ICT programme board, attended by LGSS IT.	3	4	12 (A)	Review IT user security policy	Systems support team leader	September 2014	April 2015 Complete	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	<p>1. The council has a number of key contractors who may be vulnerable to market and economy factors.</p> <p>2. In addition the number of legal challenges (and therefore injunctions preventing a contract award) is increasing due to the financial pressures and reducing workload</p> <p>3. Key contractor goes into administration or an injunction is issued preventing the award of a new contract</p>	<p>1. Customer and staff complaints</p> <p>2. Services not delivered</p> <p>3. Contingency plans have to be invoked</p> <p>4. Cost and time to retender contract</p> <p>5. Cost and time to defend legal challenge</p> <p>6. Additional unforeseen costs impact delivery of balanced outturn and reserve levels</p>	EH-BRM&D	5	4	3	12 (A)	<p>1. Monitor major contractors for warning signs and make any necessary contingency plans. Recently put into practice and contingency plans tested.</p> <p>2. Ensure a robust procurement process is followed in accordance with the appropriate procurement regulations, NCC processes and best practice.</p> <p>3. NPS JV extended to include works division. This arrangement enables the JV to carry out work that was previously contracted to private sector. This approach is in line with the Council's operating model. This provides enhanced security over the supplier and increased direct control by the council.</p> <p>4. Contingency budget and allowance for failures within the calculation of prudent minimum balance of reserves</p> <p>5. More use of shared services reduces size and scope of contracts with private sector providers (eg ICT)</p> <p>6. Increased use of framework contracts increases resilience against contractor failure.</p>	3	3	9 (A)						
C5	Fraud and corruption	<p>1. Poor internal controls lead to fraudulent acts against the council, resulting in losses.</p> <p>2. Bribery Act 2010 came into force 1 July 2011 – lack of guidance or policies - council fails to prevent bribery</p> <p>3. Failure in internal control.</p> <p>4. Discovery of fraudulent acts.</p> <p>5. Allegations received.</p> <p>6. Member of staff or councillor breaks the law.</p>	<p>1. Loss of income or assets</p> <p>2. Adverse public opinion</p> <p>3. Effect on use of resources</p> <p>4. Increased costs of external audit</p> <p>5. Cost of investigation and rectifying weaknesses</p> <p>6. Prison</p>	CFO	5	3	3	9 (A)	<p>1. Internal audit</p> <p>2. Anti-fraud and corruption policy,</p> <p>3. Payment Card Industry security assessment to protect card payments,</p> <p>4. National Fraud Initiative,</p> <p>5. Whistleblowing policy</p> <p>6. Review and update as necessary policies and procedures.</p> <p>7. Assess risk of bribery, train staff and monitor and review procedures.</p> <p>8. Robust procurement procedures, e-tendering portal and governance by the procurement team</p> <p>9. Delegation procedures</p>	2	3	6 (A)	Review needed of anti-fraud, whistleblowing and anti-bribery policies,	Chief finance officer	Sep-15	Dec-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 6. Well embedded business continuity and industrial action plans	3	2	6 (A)					

Council Priorities 2015-2020:

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

Key to risk owners (above):

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 (one red, 16 amber) as at October 2015

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

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

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

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

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 approved by cabinet 10 December 2014
V2.1	S Dowson	30/9/15	Tracked updates for approval by CLT <u>and audit committee</u>

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 2015⁴ state:

A relevant authority must ensure that it has a sound system of internal control which

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk.

~~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

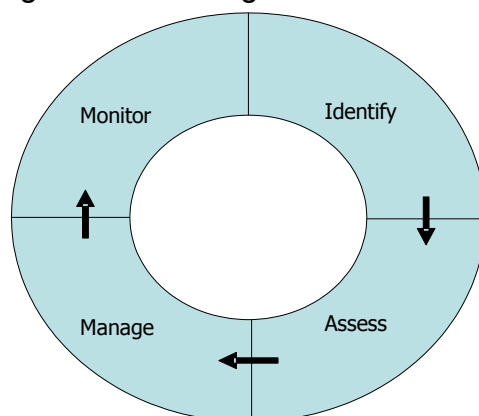
risk score of 15 ~~as per~~ in line with the scoring matrix attached at **appendix 1** (for corporate priority and service plan objective risks). Other areas of risk, such as small projects or health and safety, may have a different risk appetite depending on the circumstances, but only if they do not 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 through 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
IMPACT LIKELIHOOD	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
17 November 2015
Report of Head of internal audit and risk management, LGSS
Subject Internal audit 2015-16 – September to October update

Item

7

Purpose

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

Recommendations

To note the:

- (1) work of internal audit between September and October 2015;
- (2) progress on the internal audit plan;
- (3) 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 and risk management, 01223 715317
LGSS

Steve Dowson, internal audit manager, LGSS 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 September to October 2015
 - other areas of non-assurance and financial consultancy work
 - the audit plan 2015-16, showing progress against planned audits
 - the latest counter fraud developments, including the national fraud initiative
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 2015

4. The following areas were reported on between September and October:
 - **Home improvements** – moderate assurance. The council has a statutory duty to offer disabled facilities grants (DFG) to eligible residents, plus the discretionary power to provide financial assistance (grants or loans) to vulnerable home owners to carry out minor repairs or to tackle hazardous conditions in their homes. Support and assistance to clients was brought in-house with effect from April 2014 under the management of the home improvement team, which comprises experienced technical officers, caseworkers, social care occupational therapists and administrative staff.

There was assurance over the processes and documentation for applications; assessment of applicants' needs and eligibility; allocation of work to approved contractors; any variations to the work; and work completion certificates.

However, in one case initiated by the previous management organisation the full value of the loan could not be verified due to a lack of prime documentation, and no legal charge had been registered against the property. Also, the interests of adult occupiers are not considered when taking out a legal charge against a property. Finally, for some of the cases sampled the total cost of works were not supported by scanned documentation.

Ten recommendations were made, eight of which are either complete or are due to be implemented by January 2016 if systems development officers are available. Two recommendations, relating to procedures requiring legal charges to be placed against properties in certain circumstances, were not agreed as the new financial assistance policy has clarified the position.
 - **Parking income** – substantial assurance. Pay and display and multi-storey car parks contribute significantly to the council's income (nearly £3m in 2014-15), although there are restrictions on what any surplus on the parking account can be spent on. In addition, the council manages on-street parking and civil enforcement on behalf of Norfolk County Council under the joint highways agency agreement.

There was assurance over compliance to statutory requirements; monitoring the cash collection contractor's performance; reconciliations of cash collected to machine tickets, systems data, bank records and general ledger; and provision of on-street income and expenditure details to the county council as required under the agency agreement.

However, there are no regular checks of cash held in the safe which is used to store coins for machine refills, and no key control records to confirm who is authorised to hold keys to the safe or the ticket machines for top-up purposes.

Two recommendations were agreed which are due to be implemented by November 2015.

- **Allotments** – full assurance. Norwich has more than 1,900 allotment plots on 18 sites which are located throughout the city. Allotment records are maintained on the Colony system, which also produces the invoices and maintains the record of payment.

There was assurance over the arrangements for maximising and collecting income, including cross-checking against the Go 4less database to ensure concessions are correctly applied; regular reviews of Colony to ensure that empty plots are offered to people on the waiting list as soon as possible; and steps taken to reduce administration.

One minor recommendation was agreed and is complete.

- **Go 4less discount scheme** – substantial assurance. Go 4less discount cards are issued free to eligible residents of Norwich and entitle them to money off certain charged-for council services, plus various non-council attractions around the city.

There was assurance over security of the cards; controls for ordering and issuing blank cards to the issuing sites; and staff awareness of procedures.

However, staff do not always record what evidence they have seen to confirm eligibility; in some circumstances cards could be issued for longer than one year in order to reduce administration; and the database should be held in a restricted folder to improve data security.

Three recommendations were agreed which are due to be implemented by January 2016.

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

Non-assurance work

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

- (a) Preparing the final version of the annual governance statement 2014-15 for CLT and September's audit committee
- (b) Updating the corporate risk register for CLT and November's audit committee
- (c) Investigating matches from the NFI 2014-15 data matching exercise.

Matters arising from previous meeting

7. At your meeting in June a question arose about the retention of emails and the council's server capacity.
8. During discussion of this matter at your September meeting a member queried whether the council was retaining email log files for six months as required by the Public Sector Network (PSN) code of connection. At the time the audit manager confirmed that the council was PSN certified, but he would make further enquiries.
9. Subsequent to the meeting Councillor Boswell pointed out that the PSN code requires audit logs, including email log files, to be retained for a minimum of six months.
10. The infrastructure support manager in LGSS IT has stated that they retain various logs from various systems with varying lengths of time but are constrained by factors such as capacity and whether systems do allow for logging. As such a decision was made earlier this year to obtain a new solution so that LGSS IT can pull together the required logs and hold them in a central repository, which will hold six months of log files. They are currently part way through this deployment.
11. The system support team leader at Norwich, who is responsible for co-ordinating the actions necessary for PSN compliance, has confirmed that it is not necessary to comply 100% with all of the requirements in the PSN code; it is only necessary to demonstrate that actions are in hand to address any non-compliance.

Progress against the audit plan

12. 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.
13. To the end of October 2015, 262 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.
14. The council has indicated that it is looking for savings from the LGSS partnership, which may or may not impact on the current internal audit plan. Discussions will be held with senior managers in the council, including the chief finance officer, to determine their view of the risks covered by the plan. Depending on the outcome of these discussions there may be a reduction or reallocation of resources within the plan. Further details will be reported to members at your next meeting.

Counter fraud developments

National fraud initiative

15. For the 2014-15 exercise 2,840 matches for possible investigation have been released so far. So far approximately 68% have been closed with no fraud detected; the outstanding matches are being reviewed by staff from LGSS revenues and benefits and LGSS counter fraud.

16. It should be noted that in the case of housing benefit matches staff in LGSS revenues and benefits are only responsible for identifying potentially fraudulent claims, which are then passed to DWP for investigation. To date there have been no reports back from the DWP that any of the referred matches are fraudulent.
17. For 2015-16 the council received a request from the Cabinet Office to supply council tax and electoral register data for the annual data matching exercise for council tax single person discount fraud. The council tax data has been extracted and checked; the register of elector data will be extracted in December.

LGSS Internal Audit - Internal Audit Plan for Norwich City Council 2015-16			
	2015-16		
	Estimated Days	Actual to Wk 31	Comments / Latest position
Financial systems			
Purchase to pay	20		
Accounts receivable	20		
Payroll	10	0.1	
Housing rents/arrears	15		
Housing benefits	20		
Council tax	15		
NNDR	15		
Bank reconciliations	5	3.4	In progress
Cash receipting	15		
Sub-total	135	3.5	
Corporate			
Strategic risk management	15	7.4	Administration and reporting of corporate risk register
Corporate governance	25	9.4	Co-ordination & preparation of AGS; corporate governance group; policy updates
Sub-total	40	16.8	
Business relationship management			
Procurement & contract management arrangements	25	4.4	Allowance for possible input to tendering, monitoring, procedural compliance. Involvement in specific contracts. Plus presence on project teams
Insurance	10		
Finance & HR IT system implementation	30		
Information governance	15	14.1	In progress
Register of electors	10		
ICT audits:	10	4.5	Incl. embedded assurance re Corp Info Assurance Group; input into IT audits
ICON cash receipting	15		
UNIFORM	15		
Website refresh and e-forms	15	5.9	In progress
Sub-total	145	28.9	
Regeneration & development			
CIL expenditure	15		
Sub-total	15	0.0	
Strategy, people & neighbourhoods			
HRA business plan & HIP	15		
Private sector leasing	15		
Right to buy	15	25.4	In progress
Safeguarding duties	15	0.1	
Garages	5	7.4	In progress
Allotments	5	7.2	Complete
Sub-total	70	40.1	
Customers, communications & culture			
Go4Less	5	5.5	Complete
Sub-total	5	5.5	
Fraud & corruption			
Anti-fraud and NFI work	80	34.9	Fraud risks; key contact duties for NFI matches and 2015-16 upload (SPD matches)
Special investigations	15	1.6	Contingency
Sub-total	95	36.5	
Contingencies			
To complete 2014-15 plan:	40		
CIL income		1.0	Complete
Parking income		14.1	Complete
Home improvements		10.4	Complete
Payroll		0.2	Draft report issued
Housings rents/arrears		11.6	Complete
Cemeteries		14.7	Draft report issued
Licensing		5.6	Complete
Shared services		1.0	Complete
NNDR		9.9	Complete
Council tax		9.7	Complete
Housing benefits		19.0	Complete
Leasehold services		4.0	Slipped from 14-15 - in progress
Follow-ups	20	18.1	Follow ups required by Code of Practice
Advice, guidance, etc	25	11.5	Contingency for advice, guidance & unplanned work requests
Sub-total	85	130.8	
Total planned time	590	262.1	
Indicative resources			
	Days		
Head of audit / Audit manager	65		
Principal auditor	180		
Senior auditor	200		
Senior auditor / graduate trainee	100		
Computer auditor	45		
	590		

Local government audit committee briefing

Contents at a glance

Government and economic news

Accounting, auditing and governance

Regulation news

Key questions for the audit committee

Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving.

It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business.

This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



Government and economic news

EY item club summer 2015 forecast

In its latest forecast, the EY Item Club highlights the continuing impact on the UK economy of world events, with those in Greece and China being of particular concern. Despite this, domestic demand remains buoyant and activity has increased since winter. They forecast GDP growth of 2.7% for this year and next, and inflation, as measured by CPI, well below target.

The latest data shows consumer expenditure remaining strong, and set to continue into next year, with the strong pound and weak commodity prices keeping inflation low. With manufacturing 'stuck in the slow lane', the economy is seen to be becoming increasingly unbalanced. The forecast goes on to predict that interest rates are unlikely to move above 3% until 2019.

Commenting on the Summer Budget, the Club sees the new surplus target as very challenging, meaning a significant increase in household taxes and a massive squeeze on welfare payments. It comments that, if the public sector is to move from heavy deficit into surplus, the private and overseas sectors must move in the opposite direction. As it sees households as being reluctant to move further into deficit, it will be up to companies to increase investment and exports to make the Budget strategy work. Alternatively, to swing the balance of payments and government accounts back into surplus, growth and imports will have to slow down.

National living wage

In the recent Budget the Chancellor announced that, from April 2016 workers aged over 25 will be entitled to a National Living Wage significantly higher than the current minimum wage of £6.50 which applies to those aged over 21. Those entitled to the 'living wage', will get £7.20 and that will rise to at least £9 an hour by 2020. This is expected to boost the income of approximately six million workers, covering all full and part-time workers, and those in public and private sectors. Whilst the government announced changes in corporation and employment taxes which it said would offset the additional costs to employers, the former will not apply in the public sector, and many comments have been made about the significant impact on employers from bodies such as the Local Government Association and the UK Homecare Association. The EY Item Club (in its Summer Forecast) commented that **"The Chancellor has effectively passed the prime responsibility for supporting low income working people over to employers and this poses a clear risk to hours and employment"**.



Government and economic news

All bodies will need to carefully consider the impact of the changes on their finances in the short and medium term. The impact is not liable to be limited to the additional employment costs of those employees currently on the minimum wage, but include:

- ▶ Employment costs relating to employees currently earning above minimum wage but below the National Living Wage
- ▶ Pressure on supplier contract prices arising from their increased costs (particularly in relatively low paid sectors such as care)

Whilst the increase is to be phased over a number of years, there will be a potential impact from 2015/16.

Creating a better care system

A new report by EY, commissioned by the Local Government Association, suggests the development of a new sustainable health and social care system, backed by establishment of a £1.3 billion a year transformation fund until 2019/20. It states that the fund should focus on keeping people independent and preventing complex and long-term conditions, and should be supported by:

- ▶ A pooled health and social care budget
- ▶ Devolved powers for health
- ▶ Reformed incentives

It outlines four key areas of focus as follows:

- ▶ **Put people in control** – including expanding integrated personal commissioning across health and care, increasing the number of personal health and care budgets by 250,000 in the next five years
- ▶ **Integrate and devolve commissioning powers** – including greater local control and freedom over pooled budgets to better respond to local needs and outcomes and allow local innovation
- ▶ **Fund services adequately and in an aligned way** – including aligning social care and health funding settlements over a five year period
- ▶ **Free the system from national constraints** – including replacing the tariff in the NHS with capitated accounting and payment mechanisms



Accounting, auditing and governance

The 2016/17 code of practice on local authority accounting in the United Kingdom: Invitation to Comment (ITC)

Each year CIPFA issue various Invitations to Comment (ITCs), setting out the proposed changes to the Code of Practice (the Code) for the following financial year and requests responses to the specific proposals. This year the ITC also requests comments on standards that are not expected to lead to changes within the Code until later years. The ITC this year has a closing date for responses of 9 October 2015.

The main changes proposed in the ITC are set out below:

Highways network asset

This proposal introduces the requirements for the measurement of this asset at Depreciated Replacement Cost (DRC) from 2016/17 onwards. In the ITC, CIPFA/LASAAC proposes, for the first time, that the separately identified items in the Transport Infrastructure Assets Code are classed as one asset for financial reporting purposes. It is proposed that Highways Network Asset is a separate class of asset and will be shown separately in the balance sheet.

This change is fully retrospective and will require:

- ▶ A third balance sheet as at 1 April 2014
- ▶ Fully restated comparatives for 2015/16

The ITC also confirms that an annual condition survey will be required.

As outlined in the June 2015 Audit Committee Briefing, this change will have major implications for highway authorities and non-highway authorities who have material transport infrastructure assets. We have already run a number of successful workshops for accountants and engineers at highway authorities during the summer to discuss how this fundamental change will impact on the accounts closedown and audit. As a result we will be running additional separate events for highway and non-highway authorities going forward.

Review of accounting and reporting by pension funds

This review coincides with the publication of Financial Reports of Pension Schemes: A Statement of Recommended Practice (2015). The ITC:

- ▶ Proposes minor changes to the Fund Account and to the Net Assets Statement to improve presentation and mirror the updated SORP
- ▶ Adapts the reporting requirements of IFRS 13 to include fair value disclosure requirements for pension fund investments in the 2016/17 Code
- ▶ Recognises that under IAS 26, three options as to how to disclose the actuarial present value of promised retirement benefits are allowed and seeks views on the option to use
- ▶ Sets out a new recommended disclosure for transaction costs

Narrow scope amendments

These are amendments to International Financial Reporting Standards (IFRS), largely around clarification of individual standards.



Accounting, auditing and governance

The Local Audit and Accountability Act 2014 and the Accounts and Audit Regulations 2015 (English Authorities)

The ITC updates the specific references within the Code to reflect these legislative changes. In addition it:

- ▶ Considers that a full interpretation of section 3.1 of the Code will fully meet the requirements to produce a Narrative Report
- ▶ Highlights the additional guidance provided to enable the requirement that the Narrative Report **“must include comment by the authority on its financial performance and economy, efficiency and effectiveness in its use of resources over the financial year”**

Telling the story: consultation on improving the presentation of local authority financial statements

The financial statements are a vital part of the accountability framework of local authorities. CIPFA/LASAAC considers it vital that the user can relate the information contained within the financial statements to the funding the local authority receives and the promises made about how money will be spent.

Over the past couple of years CIPFA/LASAAC has been developing an approach to both streamline the financial statements and improve accessibility to users. The two publications *Financial Statements; A Good Practice Guide for Local Authorities* and the updated *How to Tell the Story*, have both sought to remove clutter from the financial statements and focus on material items.

The next stage was seen to be how to adapt the IFRS based accounts to improve the accessibility of information for the lay user with the benefits and improvements in reporting that IFRS has brought being retained.

The Invitation to Comment (ITC) sets out the recommended proposals for change, seeking views on whether they are considered to be the preferable option. The key strands of the proposal are that:

- ▶ To allow local authorities to report on the same basis they are organised by rather than in an analysis set out by Service Reporting Code of Practice (SeRCOP)
- ▶ To introduce a new Funding Analysis as part of the narrative report which provides a direct reconciliation between the way local authorities are funded and budget and the CIES in a way that is accessible to the lay-reader

It is important to note that the Service Reporting Code of Practice (SeRCOP) analysis used for Government returns will continue. Thus the revised approach will not, at this stage, lead to a single financial reporting regime.

The ITC also seeks views on the timing of the proposed changes and the practical effect of introducing this change in financial reporting on authorities. The closing date for responses is 9 October 2015.



Accounting, auditing and governance

EY digital innovation programme

In the digital age organisations are expected to be innovative and tech savvy to support the way they deliver services. As well as making services more accessible, embracing digital offers cost saving potential, and enables organisations to be forward thinking, faster and fitter.

EY has launched a Digital Innovation Programme, a new awards initiative designed to recognise and celebrate digital innovation in health and social care. Its aim is to help share best practice, and recognise and celebrate the patients, carers and citizens who, through their innovative use of digital platforms, have made a positive difference to society.

It is linked to the EY Startup Challenge which is an intensive six-week innovation programme focused on accelerating technological solutions for tomorrow's business problems. Participants will receive:

- ▶ Mentoring and coaching
- ▶ Access to the EY firm and client network
- ▶ Training and support workshops
- ▶ An understanding of how to access funding

Nominations close in November 2015 and the programme culminates in a national recognition ceremony in June 2016. More details can be found at <http://www.ey.com/UK/en/Industries/Government---Public-Sector/EY-Digital-Innovation-Programme>.

Cap on public sector exit payments: consultation

The government announced in May that it intended to end six figure exit payments for public sector workers.

Exit payments help to unlock substantial reductions in staff costs in the medium to longer term and help authorities to meet the challenge of reduced funding available. However, given the scale of the costs associated with exit payments it is vital that they offer value for money to the taxpayer.

The government already has in place, for 2016, legislation to prevent highly paid individuals who return to the public sector within 12 months of exit from retaining their full exit payment.

Following on from this the government believes that it is right to ensure that public sector workers do not receive disproportionately large exit payments in the first instance. In particular the government is concerned about the number of public sector workers who are receiving exit payments of six figures. In 2013-14 alone, nearly 2,000 public sector employees received exit payments costing more than £100,000.

The government has proposed to introduce a cap of £95,000 on the total value of exit payments and HM Treasury launched a consultation on the proposed cap which ended in August 2015.

The current proposal has indicated that compensation payments in respect of death or injury attributable to the employment, serious ill health and ill health retirement will not be in the scope of the cap.



Regulation news

PSAA annual regulatory compliance and quality report

Public Sector Audit Appointments (PSAA) have released their Quality Review Programme annual reports for the 2014/15 audit season. There are individual reports on the seven principal audit firms and an overall summary report that compares all firms. The two main categories auditors are monitored for are audit quality and regulatory compliance.

PSAA have used a Red, Amber, Green (RAG) system throughout their reports. EY were one of two firms that received Green for the combined regulatory compliance and audit quality performance rating with the remaining five audit firms receiving an Amber rating.

For the second year in a row EY have received the highest Audit Quality score improving from 2.49 in 2014 to 2.55 in 2015 compared to a 2015 average of 2.19. Similarly for the financial statement audit work EY topped the table with a score of 2.36 compared to an average of 2.07.

As well as obtaining Green ratings for the two above categories, EY received a Green rating for Whole of Government Accounts work, VFM Conclusion work, Housing Benefit work, Regulatory Compliance, and Client Satisfaction.

The PSAA report on EY states:

“The firm is meeting our standards for overall audit quality and our regulatory compliance requirements. The firm has maintained its performance against the regulatory compliance indicators since last year, with all but one of the 2014-15 regulatory compliance indicators scored as green. The firm’s overall weighted audit quality score has increased from last year and the satisfaction survey results show that audited bodies are satisfied with the performance of EY as their auditor.”

Based on this review, PSAA state:

“We are satisfied that the risks of audit failure remain low; that all firms are meeting PSAA’s regulatory requirements; and that all firms are continuing to produce work to an acceptable standard.”

Auditors’ work on value for money arrangements

The Local Audit and Accountability Act 2014 provided the Comptroller and Auditor General with the power to issue guidance to auditors which may explain or supplement the provisions of the Code of Audit Practice. This was a role previously undertaken by the Audit Commission.



Regulation news

This guidance is issued in the form of Auditor Guidance Notes (AGNs) and the 2014 Act requires auditors to comply with this guidance.

The NAO is currently consulting on a draft AGN regarding auditors' work on value for money arrangements. The consultation closes 30 September 2015 in advance of the guidance being issued in November 2015. EY and other audit suppliers are currently coordinating their responses to the draft guidance which would apply to audits from 2015/16 onwards.

A short guide to the NAO's work on local authorities

The NAO is publishing a suite of short guides relating to each government department and some cross-government issues. Although the main purpose of these guides is to assist House of Commons Select Committees, the guide on local authorities provides a useful overview for elected members. It includes arrangements for funding, major recent developments, the pressures faced by local authorities, and developments that are on the horizon.

Care Act first-phase reforms: local experience of implementation

Under its powers in the Local Audit and Accountability Act 2014, the Comptroller and Auditor General has published a report concerning the Care Act.

The Care Act 2014 puts new legal responsibilities on local authorities in England and requires them to cooperate with local partners to meet them. The NAO have previously reported that only a fraction of care is publicly funded, with the majority of support and care being provided by unpaid family, friends and neighbours. Many adults pay for all or a proportion of their care. Despite this, adult social care continues to be one of the biggest areas of spending for many local authorities. For 2014/15, the NAO estimates that net spend on adult social care in 2014-15 for local authorities is £14.4 billion.

This further report follows the NAO's report on central government's approach to the Care Act First-phase reforms, and provides examples from local case study areas which show how different authorities are addressing risks arising from uncertainty in demand from carers and self-funders.



Key questions for the audit committee

What questions should the Audit Committee ask itself?

Has the authority considered the impact (both direct and indirect) on its finances of the National Living Wage?

Are there any patients, carers or citizens that we wish to nominate for the EY Digital Innovation Programme?

Are we aware of our responsibilities under the Care Act 2014, and have we considered what changes we may need to make in order to fulfil our responsibilities whilst maintaining affordability?



Find out more

EY item club summer 2015 forecast

For details of the EY Item Club's latest forecast, see <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/ITEM---Forecast-headlines-and-projections>

National living wage

Sources include:

BBC – <http://www.bbc.co.uk/news/uk-politics-33437115>

Local Government Association – http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/7386419/NEWS

UK Homecare Association – <http://www.ukhca.co.uk/downloads.aspx?ID=473>

Creating a better care system

Find out more details and a copy of the report at http://www.local.gov.uk/web/guest/publications-list/-/journal_content/56/10180/7350693/PUBLICATION

2016/17 code of practice ITC

For details about the CIPFA Invitation to Comment on the 2016/17 Code of Practice, see <http://www.cipfa.org/policy-and-guidance/consultations/201617-code-of-practice-on-local-authority-accounting-in-the-united-kingdom-invitation-to-comment>

'Telling the Story' ITC

More information about CIPFA's consultation on 'Telling the Story' can be found at <http://www.cipfa.org/policy-and-guidance/consultations/telling-the-story-improving-the-presentation-of-local-authority-financial-statements>

EY digital innovation programme

Details of the programme and how to nominate can be found at <http://www.ey.com/UK/en/Industries/Government---Public-Sector/EY-Digital-Innovation-Programme>

Cap on public sector exit payments: consultation

The details of the Government's consultation on capping public sector exit payments can be found at <https://www.gov.uk/government/consultations/consultation-on-a-public-sector-exit-payment-cap/consultation-on-a-public-sector-exit-payment-cap>

PSAA annual regulatory compliance and quality report

The PSAA's Audit Quality webpage can be found at <http://www.psa.co.uk/audit-quality/>, the annual Regulatory Compliance and Quality Review Programme report is at <http://www.psa.co.uk/wp-content/uploads/2015/07/Annual-Regulatory-Compliance-and-Quality-Review-Programme-2015-Final.pdf>, and the report specific to EY is at <http://www.psa.co.uk/wp-content/uploads/2015/07/EY-2014-15-Annual-Regulatory-Compliance-and-Quality-Report-Final.pdf>

Auditors' work on VfM arrangements

The consultation document is available at <http://www.nao.org.uk/keep-in-touch/wp-content/uploads/sites/11/2015/08/Vfm-arrangements-auditor-guidance-consultation-document.pdf>

A short guide to the NAO's work on local authorities

To access the interactive guide see <http://www.nao.org.uk/wp-content/uploads/2015/08/A-Short-Guide-to-the-NAOs-work-on-local-authorities2.pdf>

Care Act first-phase reform

The full report is available at <http://www.nao.org.uk/report/care-act-first-phase-reforms-local-experience-of-implementation/>

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