

Governance, Risk and Audit Committee



Please contact: Matt Stembrowicz

Please email: matthew.stembrowicz@north-norfolk.gov.uk

Please direct dial on: 01263 516047

27th July 2020

A meeting of the **Governance, Risk and Audit Committee** of North Norfolk District Council will be held in the **remotely via Zoom** on **Tuesday, 4 August 2020** at **2.00 pm**.

At the discretion of the Chairman, a short break will be taken after the meeting has been running for approximately one and a half hours

Members of the public who wish to ask a question or speak on an agenda item are requested to notify the committee clerk 24 hours in advance of the meeting and arrive at least 15 minutes before the start of the meeting. This is to allow time for the Committee Chair to rearrange the order of items on the agenda for the convenience of members of the public. Further information on the procedure for public speaking can be obtained from Democratic Services, Tel: 01263 516047, Email: matthew.stembrowicz@north-norfolk.gov.uk.

Anyone attending this meeting may take photographs, film or audio-record the proceedings and report on the meeting. Anyone wishing to do so must inform the Chairman. If you are a member of the public and you wish to speak on an item on the agenda, please be aware that you may be filmed or photographed.

Please note that Committee members will be given priority to speak during the debate of agenda items

Emma Denny
Democratic Services Manager

To: Mr J Rest, Mr S Penfold, Mr T Adams, Mr C Cushing, Mrs J Stenton and Mr J Toye

All other Members of the Council for information.

Members of the Management Team, appropriate Officers, Press and Public



If you have any special requirements in order to attend this meeting, please let us know in advance

If you would like any document in large print, audio, Braille, alternative format or in a different language please contact us

Chief Executive: Steve Blatch

Tel 01263 513811 **Fax** 01263 515042 **Minicom** 01263 516005

Email districtcouncil@north-norfolk.gov.uk **Web site** www.north-norfolk.gov.uk

A G E N D A

1. TO RECEIVE APOLOGIES FOR ABSENCE

2. SUBSTITUTES

3. PUBLIC QUESTIONS

To receive public questions, if any.

4. ITEMS OF URGENT BUSINESS

To determine any items of business which the Chairman decides should be considered as a matter of urgency pursuant to section 100B(4)(b) of the Local Government Act 1972.

5. DECLARATIONS OF INTEREST

Members are asked at this stage to declare any interests that they may have in any of the following items on the agenda. The code of conduct for Members requires that declarations include the nature of the interest and whether it is a disclosable pecuniary interest.

6. MINUTES

1 - 6

To approve as a correct record, the minutes of the meeting of the Governance, Risk & Audit Committee held on 16th June 2020.

7. MONITORING OFFICER'S REPORT 2019/20

7 - 18

To receive and note the Monitoring Officer's Annual Report.

8. COUNTER FRAUD, CORRUPTION AND BRIBERY POLICY

19 - 36

Summary: The updated Counter Fraud, Corruption and Bribery Policy is attached to this report at Appendix 1.

Conclusion: The above policy has been reviewed and updated. The last review was carried out in 2017. There have been minimal updates to this policy. The next review will take place in 2023.

Recommendation: **That Members review the updates to the attached policy before recommending to Cabinet for approval.**

Cabinet member(s):
All

Ward(s) affected:
All

Contact Officer, telephone number,
and e-mail:

Faye Haywood, Internal Audit
Manager for North Norfolk DC
01508 533873, [fhaywood@s-
norfolk.gov.uk](mailto:fhaywood@s-norfolk.gov.uk)

Summary: The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Conclusion: The attached report at Appendix 1, provides the Council with the intended approach to providing the Council with assurance over key risks that have materialised due to the Coronavirus pandemic. This approach ensures that enough coverage is provided for the 2020/21 annual internal audit opinion to be given whilst ensuring that the planned work does not adversely impact upon recovery efforts.

Recommendation: **To note and approve:**

- a) **The approach to providing assurance for 2020/21 due to the Coronavirus Pandemic.**
- b) **The revised Strategic Internal Audit plan 2020/21-2022/23**
- c) **The revised Annual Internal Audit Plan 2020/21**

Cabinet member(s):
All
Contact Officer, telephone number,
and e-mail:

Ward(s) affected:
All
Faye Haywood, Internal Audit Manager
for North Norfolk DC
01508 533873,
fhaywood@s-norfolk.gov.uk

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|------------|--|---------|
| 10. | EGMERE PROJECT AUDIT REPORT | 51 - 62 |
| | To receive and note the Egmere Project Audit Report. | |
| 11. | SHERINGHAM LEISURE CENTRE PROJECT AUDIT REPORT | 63 - 80 |
| | To receive and note the Sheringham Leisure Centre Audit Report. | |
| 12. | GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST | 81 - 82 |
| | To monitor progress on items requiring action from the previous meeting, including progress on implementation of audit recommendations. | |
| 13. | GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME | 83 - 86 |
| | To review the Governance, Risk & Audit Committee Work Programme. | |
| 14. | EXCLUSION OF THE PRESS AND PUBLIC | |
| | To pass the following resolution, if necessary: | |
| | "That under section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in part 1 of schedule 12A (as amended) to the Act." | |
| 15. | MANAGEMENT RESPONSE TO INTERNAL INVESTIGATION - DIGITAL MAIL ROOM | 87 - 96 |
| | To receive and note the management response to the audit investigation. | |

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GOVERNANCE, RISK AND AUDIT COMMITTEE

Minutes of the meeting of the Governance, Risk and Audit Committee held on Tuesday, 16 June 2020 at the remotely via Zoom at 2.00 pm

Committee

Members Present:

Mr J Rest (Chairman)	Mr S Penfold (Vice-Chairman)
Mr T Adams	Mr C Cushing
Mrs J Stenton	Mr J Toye

Members also attending:

Mr N Dixon (Observer)	Mr H Blathwayt (Observer)
Mr R Kershaw (Observer)	Mrs W Fredericks (Observer)

Officers in Attendance:

Democratic Services and Governance Officer (Scrutiny), Internal Audit Manager, Chief Technical Accountant, Head of Finance and Asset Management/Section 151 Officer, Democratic Services Manager and Head of Legal & Monitoring Officer

1 TO RECEIVE APOLOGIES FOR ABSENCE

None received.

2 SUBSTITUTES

None.

3 PUBLIC QUESTIONS

None Received.

4 ITEMS OF URGENT BUSINESS

None.

5 DECLARATIONS OF INTEREST

None declared.

6 MINUTES

Minutes from the meeting held on 3rd December 2019 were approved as a correct record and signed by the Chairman.

7 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY: 13 MARCH 2020 TO 4 JUNE 2020

The Internal Audit Manager introduced the report and informed Members that it covered the last of the scheduled audit work from the 2019-20 municipal year. She added that 182 days of work had been completed as originally agreed, and a further 10 days had been completed at the request of the Committee. It was noted under point 3.3 that due to the impact of the Coronavirus Pandemic, four reports were still in draft, though the executive summary and grading had been completed for each. The Internal Audit Manager explained that the audit plan in its entirety could be viewed in appendix 1, and that the executive summaries of all audit reports were included in appendix 2. It was noted that the Internal Auditors had no concerns and that all reports had received positive assurance ratings.

Questions and Discussion

The Chairman referred to item 4.4 and asked in reference to the reasonable assurances given, how long these would be expected to stay reasonable. The Internal Audit Manager replied that it depended on the result of the review, and stated that there was not a specific timeframe that would be given to these items. She added that when scoping for the next audit, these areas would be expected to have improved, but the Committee had to take into account changes in circumstances or new risks that might have arisen.

Cllr C Cushing referred to the review of procurement arrangements, and the maintenance of the contracts register, where it was noted that some contracts gave rise to actions required, and asked which contracts these were. The Internal Audit Manager replied that the first action referred to the maintenance of the register itself, in order to review aggregated spend over a given time period, and for this to be added to the control framework. The second action was for exemptions, which required all exemption forms to be signed and stored in a single location. Cllr C Cushing asked if there was any particular individual responsible for ensuring that these would be implemented. The Internal Audit Manager replied that these would be assigned to a procurement officer, but individual finance officers may also be involved in monitoring the control.

RESOLVED

To note the outcomes of the assurance audit completed between 13th March 2020 and 4th June 2020.

8 FOLLOW UP ON INTERNAL AUDIT RECOMMENDATIONS 21 NOVEMBER 2019 TO 31 MARCH 2020

The Internal Audit Manager introduced the item and informed Members that it was the year-end report, and managers were requested to provide a response to any outstanding recommendations not completed in the given timeframe. Members were referred to appendix 2 in which one outstanding recommendation from 2011 was still being monitored as incomplete. The Internal Audit Manager noted that the responsible officer had requested an extension of the completion date to April 2021, as a result of the delays caused by Covid-19. On appendix 3, the Internal Audit Manager noted that the responsible officer had requested their team members to forward the relevant information for completion, though this was yet to be received.

Questions and Discussion

Cllr C Cushing asked about the level of risk posed to the Council by the outstanding recommendation NN1807 on environmental health policies and procedures. The

Internal Audit Manager replied that this was an important priority recommendation, which required policies and procedures to be updated to ensure guidance followed legislation. She added that it had been delayed and needed to be resolved as soon as possible. Cllr C Cushing added that there appeared to be no progress on several recommendations, and asked what the Committee could do to address this. The Chairman suggested that he would form a recommendation to SLT to ensure that the recommendations were implemented. The internal Audit Manager noted that there was an additional recommendation for environmental health on data sharing, for which a new deadline was needed.

On procurement, the Internal Audit Manager stated that the procurement strategy was due to be reviewed. She added that it was not ideal, however given the circumstances, with teams being redeployed to help residents during lockdown, it was understandable that the implementation of some recommendations would slip.

The Chairman summarised the points raised and suggested that he would like to see SLT follow-up on the outstanding recommendations, as it was frustrating that some had still not been resolved after several years. He added that in some cases no response had been received on outstanding recommendations, and this wasn't good enough. It was then proposed by Cllr C Cushing and seconded by Cllr S Penfold that the outstanding recommendations be placed on the agenda for SLT to review and implement as soon as possible.

RESOLVED

- 1. That the outstanding recommendations be placed on the agenda for SLT to review and implement the recommendations as soon as possible.**
- 2. To note the report.**

9 ANNUAL REPORT AND OPINION 2019/20

The Internal Audit Manager introduced the report and informed Members that it was a full year review of the work completed in 2019/20, and allowed the Head of Internal Audit to give an opinion of the governance risk and control framework at NNDC. She then referred to point 2.2 which outlined the opinion as a reasonable assurance rating, which was a positive grading. It was noted that sixteen reviews were carried out, and all were given positive assurance grading, with four given a substantial assurance grading. Overall, this meant that the governance framework at NNDC was in a healthy position. The Internal Audit Manager stated that whilst four reports were still in draft at this time, there was no reason to doubt the assurances given. The quality assurance and performance indicator outcomes were discussed, and it was noted that there were no issues of concern.

Questions and Discussion

The Chairman referred to the limited assurance for IT hardware disposal highlighted in the report for 2016/17, and asked for further details. The Internal Audit Manager stated that she did not know the full details, but the fact that it had not been revisited suggested that any issues had likely since been resolved. She added that she would look for further details and follow-up the issue.

The Chairman referred to item 5.1.2 on external assessment, and noted that the attribute standards were required to be reviewed every five years, which had last

been completed in January 2017. He then asked how long this review would take to complete. The Internal Audit Manager replied that this was not a large piece of work, and would be completed well within that timeframe.

The Chairman proposed the recommendations en bloc, and were seconded by Cllr J Stenton.

RESOLVED

- 1. To receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.**
- 2. To note that a reasonable audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2020.**
- 3. To Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2019/20.**
- 4. To note the conclusions of the Review of the Effectiveness of Internal Audit.**

10 RISK MANAGEMENT POLICY/Framework AND CORPORATE RISK REGISTERS

The Head of Finance & Asset Management introduced the report and informed members that the Risk Management Policy and Framework was reviewed on a bi-annual basis. It was noted that the new policy included additional information from training sessions that had taken place, such as those on identifying the Council's risk appetite. On the risk registers, it was noted that new headings had been added to cover issues raised during training. A Covid-19 specific risk register had also been created to focus solely on the risks raised by the pandemic.

Questions and Discussion

Cllr C Cushing referred to section ten of the policy on risk scoring, and suggested that if a risk was given over a 90% probability rating, then it should be recorded as an assumption elsewhere, as opposed to remaining on the risk register. The Head of Finance & Asset Management replied that he was unsure whether the Council had used assumptions logs previously, but he would be happy to look into whether it would be possible.

Cllr N Dixon referred to previous points made on paying attention to optimism bias on the risk register, and stated that even with the best risk policy and framework, the Council still appeared to have a systemic weakness in its business and project planning and analysis. He added that until these issues were resolved, the Council remained at a high risk of project failure, and for that reason asked whether there should be an additional line in the risk register to address these issues. It was noted that in addition to the impact of optimism bias, it was also important that the Council had the appropriate skill set in place, to enable these tasks to be completed. Cllr N Dixon then suggested that the Committee should give consideration, as to whether these issues had been fully addressed. The Chairman noted that a new performance

management system was in the process of being introduced, and asked whether this might help to resolve some of these issues. The Head of Finance and Asset Management stated that the Inphase system did have a built in risk register module, which it was hoped could be used to support the existing risk registers, that were currently kept on spreadsheets. He added that the system would also enable the risk registers to be presented online, with a trajectory for each risk as mitigations are put in place to manage them. In relation to project risks, the Head of Finance and Asset Management suggested that clearly defining the desired outcomes would help to avoid scope creep, clearly identify project success, and help to mitigate risks. He added that another option would be to apply gateway tests to projects, which would improve transparency of the requirements for each stage of a project. On report papers, it was suggested that adding high level summaries as standard, could help to highlight the key issues and risks for members.

The Head of Legal Services stated that optimism bias remained a cultural issue at the Council amongst officers and members. She added that whilst officers were required to provide advice, decisions were still made in a political environment, which meant that projects could maintain strong political support despite advice to the contrary. As a result, The Head of Legal Services stated that officers must be free to give their professional advice and opinion despite political pressure, and this was why a strong framework of processes and procedures was crucial to mitigate risk. Cllr N Dixon thanked officers for their comments, and suggested that it would be extremely helpful to see these comments converted into items on the risk register, to ensure that these processes could be followed. Cllr C Cushing stated that he endorsed these comments, and added that from a project management perspective, using a milestone system to stage projects would be very beneficial. He added that a benefit realization plan would also be very helpful to ensure positive outcomes for projects.

Cllr R Kershaw stated that lessons had been learnt from recent projects, and made clear that Cabinet did listen to the advice given by officers. He added that it was vital that there was an audit trail from inception to completion for projects in order to maintain transparency, and that projects must be stopped if they become unviable.

The Chairman referred to the risk appetite in section 11 p81, and stated that the recommendation suggested that the Council's risk appetite was moderate, and asked if this could be changed to a more positive stance of 'open'. The Head of Finance and Asset Management explained that the appraisal of the Council's risk appetite had taken place at a workshop with Members, though Members were free to continue to discuss this rating. He added that culturally, an open risk appetite might be an aspiration for the Council, but he did not think it was appropriate at this time. The Head of Legal Services added that some members might be closer to this, but historically NNDC had never had a fully open risk appetite, and having worked elsewhere where the risk appetite was open, it was clear that there was a very different culture at NNDC. The Chairman accepted the comments and reiterated that an aspiration to achieve an open risk appetite must remain.

In addition to the officers' recommendations, it was proposed by Cllr C Cushing and seconded by Cllr J Stenton to recommend to the responsible officer that additional lines be added to the corporate risk register, to address systemic issues caused by optimism bias, and business and project planning/analysis.

RESOLVED

- 1. To note and adopt the Risk Management Policy and Framework**

2. To note the Risk Registers.

3. To recommend to the responsible officer that additional lines be added to the corporate risk register, to address systemic issues caused by optimism bias, and business and project planning/analysis.

11 GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

The Democratic Services Officer informed Members that as a result of March's meeting being cancelled due to Covid-19, the actions list was from the December meeting. He added that the recommendation for SLT to follow-up outstanding audit recommendations had now be reiterated.

12 GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

The Chairman informed Members that there was a scheduled meeting date in the calendar for 14th July, however due to significant delays in the sign-off of annual accounts and the impact of Covid-19, it was unlikely that reports would be ready for this date. As a result, he suggested that it would be useful to hold an additional meeting prior to September to avoid a build-up of reports, such as the Counter Fraud Policy, Annual Governance Statement, and the additional Egmore and Splash reports. It was suggested that August 4th was provisional date, though it would be confirmed nearer the time.

13 EXCLUSION OF THE PRESS AND PUBLIC

The meeting ended at 3.15 pm.

Chairman

Monitoring Officer Annual Report 2019/20

Section Contents

Page 7

1 Introduction

2 The Monitoring Officer's Work April 2019 – March 2020

3 Key Messages

4 Looking Forward

5 Overall opinion on the adequacy and effectiveness of the Governance framework

Monitoring Officer Annual Report 2019/20

1. Introduction

1.1 The Monitoring Officer's Annual Report summarises the more important matters arising from the Monitoring Officer's work for the Council from 1 April 2019 to 31 March 2020 and comments on other current issues.

1.2 Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. It is founded on the fundamental principles of openness, integrity and accountability together with the overarching concept of leadership. In this respect, North Norfolk District Council recognises the need for sound corporate governance arrangements and has put in place policies, systems and procedures designed to achieve this.

1.3 The Monitoring Officer is appointed under Section 5 of the Local Government and Housing Act 1989 and has a number of statutory functions in addition to those conferred under the Local Government Act 2000 and subsequent regulations governing local investigations into Member conduct. These are outlined in the next section of the report.

2. The Monitoring Officer's Work April 2019 – March 2020

The appointment of the current Monitoring Officer was confirmed by Council on 21 September 2017 and has carried out the statutory functions since that time.

Duties	Work undertaken
(a) Maintaining a lawful position for the Council and reporting on contraventions or likely contraventions of any enactment or rule of law including fraud.	The Monitoring Officer is a member of the Council's Strategic Leadership Team, together with the Head of Paid Service and the Chief Financial Officer and is able to comment on issues discussed there.

	<p>The Council's in house legal team, Eastlaw. provide advice and assistance to officers throughout the Council and report to the Monitoring Officer on any areas of concern in relation to lawfulness and compliance with the Council's protocols and processes.</p> <p>The Monitoring Officer and her staff attend meetings and provide advice to officers and Members at an early stage, including seeing reports to committee.</p> <p>The Monitoring Officer also requires appropriate recording of delegated authority to evidence compliance with the Constitution. These procedures have been reviewed and updated in light of the ongoing pandemic.</p> <p>eastlaw assess and respond to either changes in the legal framework and in particular this year, with Democratic Services have implemented the remote meeting provisions.</p> <p>Any contraventions have been remedied through the appropriate decision making processes.</p> <p>Members have been trained in the provisions of the Constitution and risk.</p>
(b) Report any findings of maladministration causing injustice where the Ombudsman has carried out an investigation.	<p>The Monitoring Officer reviews any complaints where the LGO has upheld the complaint. There have been no findings of maladministration.</p>
(c) Establish and maintain the Register of Member's interests and gifts and hospitality.	<p>All Members of both the District and Parish Councils completed new returns following the elections in May 2019. Members are reminded to keep these up to date.</p> <p>Members have been issued with Guidance on the Code and trained on the Code and governance and probity issues.</p> <p>Members making nil returns have been reminded of their obligations under the Code.</p> <p>The Register of Members' Interests is publicised on the Council's website. The Registers are available</p>

	for inspection at the Council's offices.
(d) Maintain Register of Employees gifts and hospitality.	The Register has been updated regularly and are open to inspection. A copy appears at Appendix 1
(e) Investigate misconduct in respect of District, Parish and Town Councillors under the Code of Conduct.	<p>During the year between April 2019 and March 2020 a total of 29 complaints have been received. This compares to last year's figure of 24 complaints.</p> <p>27 complaints relate to parish and town councils.</p> <p>The most common source of complaints were unclear governance procedures and also alleged disrespect to others.</p> <p>In a significant proportion of these cases there was either no breach identified or the members concerned were offered guidance and assistance.</p> <p>Where appropriate political Group Leaders have been asked to underline the importance of Member respecting the provisions of the Code and other Protocols.</p> <p>In some cases the parish councils were offered assistance through mediation and conciliation to resolve the issues themselves rather than having solutions imposed upon them.</p> <p>No cases were referred for investigation.</p> <p>Advice is being offered to parishes through 121, the Council's e-briefing to help parishes avoid complaints.</p> <p>Members have regularly sought advice in order to comply with the Code of Conduct, particularly in relation to declaring interests under the Code.</p> <p>Members have been provided with guidance through the provision of briefing notes through the Member's Bulletin and training.</p>

(f) Investigate breaches of the Council's own protocols.	There have been no alleged breaches of the Council's own protocols.
(g) Provide advice to Town and Parish Councils on the interpretation of the Code of Conduct.	<p>The Monitoring Officer has provided advice to Parish Councils on the Standards and Conduct Arrangements during 2019/20 face to face, by letter, telephone and email.</p> <p>The Monitoring Officer (and her staff) have provided advice and assistance to a number of parishes through interventions to raise standards and deal with complaints. Further advice is being provided to parishes/towns to help them comply with their obligations under the Code through 121, the Council's e-briefing for parishes/towns.</p>
(h) Promote and support high standards of conduct through support to the Standards Committee.	<p>The Committee has met to consider a consultation response and best practice in respect of the new model code.</p> <p>The Independent Person arrangements are working well.</p>
(i) Compensation for maladministration.	There have been no cases of compensation
(j) Maintenance and review of the Constitution.	<p>The Constitution has been revised and updated during the year through the input of the Constitution Working Party.</p> <p>The delegations were reviewed following the beginning of the pandemic and amended.</p> <p>The new legislative provisions relating to remote meetings have been implemented.</p>
(k) Responsibility for complaints made under the Council's Whistleblowing and Anti-Fraud policies.	The risks of fraud are managed through the Council's anti fraud and corruption policies and underpinned by the financial and contract procedure rules. These are monitored for compliance by the legal and finance teams.

	<p>Employees are made aware of the anti fraud policies and their ability to report through the Council's intranet and the Briefing.</p> <p>There have been no reports of fraud.</p>
(l) Breaches of the Employee Code of Conduct.	<p>Employees are reminded through the Council's internal communications regarding business practice and ethical behaviour.</p> <p>The Employment and Appeals committee has met to consider any disciplinary matters.</p>
(m) Advice on vires issues, maladministration, financial impropriety, probity and policy framework.	<p>The Monitoring Officer has been consulted on new policy proposals, the budget and accounts and on matters, which have potentially significant legal implications.</p> <p>The Monitoring Officer meets regularly with the Chief Financial Officer.</p> <p>The financial statements are subject to a robust governance process through the Committee cycle.</p> <p>The Monitoring Officer and her staff have attended Council and other Committees as necessary.</p> <p>Officers consult the Monitoring Officer regularly on vires and probity issues.</p> <p>The Monitoring Officer works closely with the Chief Financial Officer and the Strategic Leadership Team to ensure probity in the organisation.</p> <p>The Monitoring Officer regularly advises on the legality and/or appropriateness of administrative procedures, in conjunction with the Democratic Services Team.</p> <p>The Monitoring Officer meets regularly with the Group Leaders to share issues.</p> <p>There have been a number of reviews of the Project Management Framework and the actions suggested will be implemented into the Governance Framework.</p>

	The Risk Management Framework has been reviewed and updated and training provided to Members.
(n) Exemptions to contract standing orders	11 exemptions (Appendix 2) have been allowed this year, mainly in relation to specialist services and the applicable provisions under the Constitution have been followed. Contract Procedure Rules have been updated.
(o) actual or potential litigation or claims that would have a significant effect on the entity or a material impact on the financial statements	None identified at the current time.

3. Key Messages

3.1 The key messages to note from the year are:

- (i) The systems of internal control administered by the Monitoring Officer including compliance with the Council's Constitution were adequate and effective during the period for the purposes of the latest Regulations. However, it is important that Members and Officers are regularly reminded of their obligations and the governance framework regularly updated on any changes to ensure there is no complacency.
- (ii) The Constitution continues to be regularly updated.
- (iii) During the current year the Council has had elections and there has been a comprehensive programme of Member Development and training delivered.

4. Looking Forward

4.1 The key issues for 2019/20 are as follows;

- Actions arising from Project Governance Reviews need implementing through the AGS action plan
- The Performance Management Framework is due for review, and requires expanding to encompass service planning and risk.
- The Corruption and Anti Fraud Policy is due for review.
- The new Member Code of Conduct is currently being consulted on and when this is adopted, will require implementation.
- The Member/Officer Protocol requires review and updating.

4.2 Code of Conduct

4.2.2 The Member Code of Conduct is currently out for consultation which will result in changes to how Member behaviour is dealt with by the authority.

4.3 Corporate Governance Framework

4.3.1 The Council will keep the Code of Corporate Governance under review, taking into account any revisions to associated guidance and any recommendations arising from audit reports.

4.3.2 The Monitoring Officer will continue to provide an assurance in respect of the Code and the Annual Governance Statement by way of this Annual Report.

4.4 Constitution and Regulations

- 4.4.1 The Constitution will be continue to be kept under review by the Monitoring Officer working closely with the Democratic Services Team.
- 4.4.2 It will be appropriate to continue to remind Members and staff of the importance of compliance with the Council’s regulations, as set out in the Constitution and other policy framework documents, and the Monitoring Officer and other staff will give advice accordingly.

5. Overall opinion on the adequacy and effectiveness of the Governance framework

The Monitoring Officer confirms that she is not aware of;

- Any breaches of, or deficiencies in, internal control in respect of fraud or compliance with relevant legal provisions that could have a significant effect on the entity or a material impact on the financial statements;
- Any actual, suspected or alleged frauds or breaches of legislative requirements during 2018/19;
- Any excessive or undue pressure to meet financial or operating targets that may unduly influence the actions of either those charged with governance or Management;
- Any actual or potential litigation or claims that would have a significant effect on the entity or a material impact on the financial statements;
- Any circumstances that would call into question the preparation of the financial statements on an ongoing basis.

That the systems of internal control administered by the Monitoring Officer including the Code of Conduct and the Council’s Constitution, were adequate and effective during the year between April 2019 and March 2020 for the purposes of the latest regulations (subject to the areas outlined above).

Emma Duncan
Monitoring Officer
24/07/20

APPENDIX 1 Register of Officer Gifts and Hospitality

Date	Name of officer	Name of person/organisation offering gift or hospitality	Description of gift/hospitality	Accepted or declined?
3.4.2019	Alison Ridgway	Mr J Sturgeon (Taxi Driver)	2 packets of biscuits	Accepted
4.4.2019	Rob Goodliffe	Team Van Oord	Industry Guild Dinner, 12 March 2019	Accepted
21.5.2019	Philip Rowson	Historic Houses	Summer Lunch invitation to Sennowe Park	Accepted
22.5.2019	Karen Spence	North Norfolk Railway	Day ticket for 2 adults on Poppyline	Accepted
12.8.2019	Wyn Nurse	Champions After Diner Speakers	Bottle of Champagne	Accepted
24.10.19	Steve Blatch	Team Van Oord	Project completion dinner 5 November 2019	Accepted
25.10.19	Cllr Fitch-Tillett	Van Oord	Dinner	Accepted
7.11.19	Nick Baker	Real Consulting	Supper - £60	Accepted
12.11.19	Russell Tanner	Openwide Coastal Ltd	Cromer Pier Christmas Show	Accepted
21.11.19	Phillip Rowson	The Maltings	Bottle of Prosecco	Accepted
6.12.19	Stuart Tate	SMG	Invitation	Accepted
9.12.19	Kaye Skinner	Mentnor Construction Ltd	M&S Christmas Hamper (addressed to NNDC - no particular named person)	Accepted
10.1.2020	Cllr Fitch-Tillett	Team Van Oord	Dinner on 30.1.2020 at The Pheasant Hotel, Weybourne	Accepted
20.1.2020	Rob Goodliffe	Team Van Oord	Dinner on 30.1.2020 at The Pheasant Hotel, Weybourne & 10.3.2020 at The Dorchester Hotel, London - Dinner, Drinks reception & Overnight Stay	Accepted
20.1.2020	Tamzen Pope	Team Van Oord	Dinner on 30.1.2020 at The Pheasant Hotel, Weybourne & 10.3.2020 at The Dorchester Hotel, London - Dinner, Drinks reception & Overnight Stay	Accepted
28.1.2020	Steve Blatch	Team Van Oord	Dinner on 30.1.2020 at The Pheasant Hotel, Weybourne	Accepted
28.1.2020	Sonja Seaton	Team Van Oord	Dinner on 30.1.2020 at The Pheasant Hotel, Weybourne	Accepted
28.1.2020	Sandra King	Team Van Oord	Dinner on 30.1.2020 at The Pheasant Hotel, Weybourne	Accepted
12.3.2020	Sally Tidman	The Bijou Collection	Open Half Day at The Harper, Langham	Accepted
12.6.2020	Trudi Grant - Benefits	Robin	Chocolate Cake	Accepted

APPENDIX 2; Contract Procedure Rule Exemptions granted from 1 April 2019 to 31 March 2020

Contractor	Type of Work	Amount	Exemption
British Geographical Society	Sandscaping Scheme Survey	£28,000	There is only one supplier with the direct relevant experience to complete the study and there is no acceptable alternative. An exemption is sought to appoint BGS to complete the geological pre-construction survey.
Civica UK Limited	Outsource revenue telephone calls and processing work to Civica on Demand	£56,000-£57,000	There is only one supplier with the direct relevant experience to complete the work and there is no acceptable alternative. There are a limited amount of suppliers who can provide this detailed level of service and Civica on Demand is part of the software company Civica UK Limited that NNDC currently uses, so they have the necessary skills to provide this interim resource whilst NNDC recruits and trains to the vacancies we have.
BIP Solutions	Provision of e-notices for publication and Quickcall tendering solution	£19,050	There is only one supplier with the direct relevant experience to complete the work and there is no acceptable alternative. BIP offer a "Quickcall" facility on their delta s-Sourcing solution allowing a basic document exchange and messaging facility without having to buy all the other modules that we would not necessarily use.
Your Own Place	Tenancy Sustainment training	£30,000	There is only one supplier with the direct relevant experience to complete the study and there is no acceptable alternative.
Aspect Group Limited	Refurbishment of NNDC toilets and enabling works for the Deep History Coast.	£60,000	The start date of the works is to be 9 September with a handover no later than 7 October 2019, there is a risk regarding the funding if these dates are not met.
Mantair Limited	Installation of new septic tank & new sewage treatment plant & soak away	£21,580 + VAT	Due to a change in legislation coming into force in 2020 the current septic tank and soak away system is not compliant. A limited amount of suppliers who can advice and deliver this scheme quickly. This work is required as a matter of urgency.

	system		
Royal HaskoningDHV	Bacton to Walcott Sandscaping Scheme – Additional Works	£300,000	It is considered desirable on commercial grounds to accept a quotation from a supplier already engaged by the Council on a project and that the price is not more than 50% of the original contract sum.
Marsh Consulting	The Coastal Loss Innovative Funding & Finance Study	£75,000	There is only one supplier with the direct relevant experience to complete the study and there is no acceptable alternative.
Peter Thomas	Consultancy	£30,000	There is only one supplier with the appropriate methodology to complete the study and there is no acceptable alternative.
Aspect Roof Services	Sheringham Leisure Centre Roof Panel	£99,500	The damaged roof panels proposes a H & S issue and an exemption is sought on Health and Safety grounds Also: <ol style="list-style-type: none"> 1) A tender exercise will take too much time up and there is no guarantee that another contractor would wish to apply the same methodology. Therefore this could cause further delays. 2) Whilst we may keep the inside closed therefore nothing can fall on the public we still need to protect the external roofing elements from becoming detached and injuring someone. 3) There is a reputational risk for the council in not reopening the pool. The new Splash is due to open March 2021 Everyone Active fears that current pool users may go elsewhere and then they are faced with trying to get them back. 4) Structural Engineer cannot rule out that we may experience a repeat occurrence if we leave as is. 5) Need to get the pool reopen to restore public confidence and minimise costs levied against us by Everyone Active. Still possible to open the Pool by Easter.
Aspect Roof Services	Splash Roof Panel Repair, Sheringham	£15,000	Limited amount of time to repair as could get progressively worse and facility needs to be open for Half Term.

Agenda Item 8

Governance, Risk and Audit Committee

4 August 2020

Report Title	Counter Fraud, Corruption and Bribery Policy Update	
Are there background papers?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Exempt	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Reason for Exemption?		
Decision for Full Council?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Contact Officer	Faye Haywood, Internal Audit Manager North Norfolk DC	
E-mail address	fhaywood@s-norfolk.gov.uk	
Telephone number	01508 533873	
Are there Non Electronic Appendices?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
List of Background Papers (if applicable)		

Agenda Item No _____

Counter Fraud, Corruption and Bribery Policy Update

Summary: The updated Counter Fraud, Corruption and Bribery Policy is attached to this report at **Appendix 1**.

Conclusion: The above policy has been reviewed and updated. The last review was carried out in 2017. There have been minimal updates to this policy. The next review will take place in 2023.

Recommendation: That Members review the updates to the attached policy before recommending to Cabinet for approval.

Cabinet member(s):

All

Contact Officer, telephone number, and e-mail:

Ward(s) affected:

All

Faye Haywood, Internal Audit Manager for North Norfolk DC

01508 533873, fhaywood@s-norfolk.gov.uk

1. Background

- 1.1. In order to deliver against Council priorities, it is necessary for North Norfolk to ensure that it minimises losses to fraud, corruption and bribery. As a public service authority, the Council has a duty to ensure that it promotes effective stewardship and value for money in the use of public funds.
- 1.2. The policy contained at **Appendix 1** outlines the Council's approach to preventing, identifying and investigating any allegations of fraud, corruption and bribery highlighting relevant legislation and best practice where appropriate.
- 1.3. This policy, once recommended by GRAC and approved by Cabinet will be applicable to officers, members and those working directly with North Norfolk to achieve its objectives. This policy is updated every three years.

2. Issues for discussion

- 2.1. There have been minimal updates to the existing policy which was last reviewed in 2017. Updates have been made to job titles to reflect recent changes in personnel at the Council and changes were made to reference changes in relevant legislation.

2.2. Updates made to the policy have been highlighted to the Committee by track changes for ease of reference.

3. Conclusion

3.1 The above policy has been reviewed and updated. The last review was carried out in 2017. There have been minimal updates to this policy. The next review will be carried out in 2023.

4. Recommendation

4.1 That Members review the updates to the policy at **Appendix 1** before recommending to Cabinet for approval.

Attachment

Appendix 1 – Counter Fraud, Corruption and Bribery Policy 2020

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NORTH NORFOLK DISTRICT COUNCIL

COUNTER FRAUD, CORRUPTION AND BRIBERY STRATEGY

Contents	Page
INTRODUCTION	
1. Why have a Strategy	2
2. Objectives of the Strategy	2
3. Statement of Intent / Policy Statement	3
4. Definitions and Examples	3
5. Responsible Officers	4
PREVENTION AND DETERRENCE	
6. Corporate Framework	5
7. Cultural Framework	5
8. Members	6
9. Employees	6
10. Partners etc.	7
11. Members of the Public	7
12. Internal Control environment	7
13. Working with others – External Audit and National Fraud Initiative	8
DETECTING AND INVESTIGATING	
14. Detecting Fraud that has occurred	8
15. Investigative approach	9
SANCTIONS AND REDRESS	
16. Taking action where necessary	9
APPENDICES	
Appendix A – Detailed Investigative Processes	
Appendix B - Corporate Counter Fraud Awareness Action Plan	

Effective Date: tbc post Committee approval

This Strategy will be subject to regular review with any significant variations leading to re-presentation of the Strategy.

INTRODUCTION:

1. Why have a Strategy

1.1 North Norfolk District Council (NNDC) has a Corporate Plan 2019-2023 which sets out the priorities for the four-year period. This is a strategic document, listing the priorities for Council actions for the period 2019-2023, giving the shared vision and values and listing the priority areas on which the council intends to concentrate its efforts:

- Local Homes for Local Need
- Boosting Business Sustainability and Growth
- Customer Focus
- Climate Coast and the Environment
- Financial Sustainability and Growth
- Quality of Life

1.2 In order to deliver against our priorities, we need to ensure that we minimise losses to fraud, corruption and bribery. For every pound we lose to these activities, there is a pound less we can spend on delivering our objectives. As a public service authority, we have a duty to ensure we promote effective stewardship and value for money in the use of our public funds. Fraud, corruption and bribery reduce the reputation, and confidence that can be placed in the Council and public service bodies generally.

1.3 Historically, the Council has relatively low levels of detected fraud activity in relation to its business operations. Where such activity has been identified, we have addressed this promptly and sought sanctions as appropriate. However, this does not mean that the Council is immune to future activity, and so it is important that this strategy makes clear our commitment to ensuring losses to fraud and corruption are minimised, enabling resources to be used for their intended purpose, which is to deliver quality services to the community in accordance with identified requirements.

1.4 The Bribery Act 2010 places an expectation that organisations will have appropriate and adequate procedures in place to minimise the risk of bribery occurring. This Strategy seeks to reduce this risk, and to outline the Council's anti-bribery approach.

2. Objectives of the Strategy

2.1 The key objectives of this strategy are to:

- Increase staff and Members awareness of the corporate counter fraud culture which the Council actively supports and encourage individuals to promptly report suspicious of fraudulent and corrupt behaviour.
- Communicate to partners, suppliers, contractors and other organisations that interact with the Council that it expects them to maintain high standards aimed at minimising fraud and corruption in their dealings with the Council.
- Further embed and support the management of fraud risk within the Council.
- Demonstrate the arrangements that the Council has in place to counter fraud and corruption.
- Minimise the likelihood and extent of losses through fraud and corruption.

3. Statement of Intent / Policy Statement

- 3.1 NNDC is determined that the culture and tone of the organisation is one of honesty and opposition to fraud and corruption.
- 3.2 There is an expectation and requirement that all individuals and organisations associated in whatever capacity with the Council will act with integrity and that Council Members and staff, at all levels, will lead by example in these matters.
- 3.3 The Council's staff and elected Members are an important element in its stance on fraud and corruption and they are positively encouraged to raise any concerns which they may have on those issues where they are associated with the Council's activity. They can do this in the knowledge that such concerns will be treated in confidence, properly investigated and fairly dealt with.

4. Definitions and Examples

- 4.1 CIPFA (the Chartered Institute of Public Finance and Accountancy) define fraud as "the intentional distortion of financial statements or other records by persons internal or external to the organisation which is carried out to conceal the misappropriation of assets or otherwise for gain."
- 4.2 With reference to corruption, CIPFA describes this as "the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any person".
- 4.4 We might usually term this as bribery – for example, if someone was to try to offer an incentive to ensure that a planning application was approved, or, conversely someone accepted or asked for something of material value from contractors, suppliers or persons in return for their being approved to provide services / goods to the Council.
- 4.5 The legal framework for fraud and corruption is defined by a number of acts. Primarily, the Fraud Act 2006 establishes a criminal liability for fraud through either false representation, failing to disclose information or abuse of position. Section 17 of the Theft Act 1968 creates an offence of destroying, defacing, concealing or falsifying any account, record or document made, or required, for any accounting purposes. The Bribery Act 2010 makes it an offence to attempt to bribe someone, or receive a bribe where that may result in improper discharge of a public function.
- 4.6 Examples of fraud and corruption are:
 - Theft of Council property or services
 - Evading liability for payment
 - False accountancy, including the destruction, concealment or falsification of any account or record, or giving misleading, false or deceptive information
 - Obtaining property by false pretences
 - Misuse of office
 - Bribery
 - Working while on sick leave
 - Falsifying time or mileage sheets, including flex time
 - Selling Council equipment inappropriately
 - Failure to declare an interest
 - Fraudulent tendering process
 - Fraudulent property letting

- Accepting any gift or consideration as an inducement for doing or refraining from doing anything in relation to Council business

5. Responsible Officers

- 5.1 There are many stakeholders who have roles and responsibilities in relation to fraud, corruption and bribery; these are noted in sections 8 through to 13.
- 5.2 In particular the Head of Internal Audit is responsible for reviewing and updating the Counter Fraud, Corruption and Bribery Strategy, along with making staff aware of the Strategy's requirements through training and publicising initiatives.
- 5.3 Concerns can be raised in confidence and with the knowledge that they will be properly addressed, in line with the Whistleblowing Policy. If necessary, a route other than a line manager may be used, as follows:

Chief Executive	Steve Blatch Steve.blatch@north-norfolk.gov.uk
Monitoring Officer	Emma Duncan Emma.duncan@eastlaw.org.uk 01263 516045
Head of Internal Audit	Emma Hodds ehodds@s-norfolk.gov.uk 01508 533791

- 5.4 All concerns raised and the outcomes will be reported to the Governance, Risk and Audit Committee (GRAC), by the Head of Internal Audit, annually in a form that does not endanger confidentiality. However, if no concerns are raised no report will be provided.
- 5.5 This strategy is to be reviewed at least every 3 years (or more frequently if required by changes to statutory legislation) and the following parties will be consulted prior to finalising and submitting the strategy to Cabinet for subsequent approval:
- Corporate Leadership Team
 - Governance, Risk and Audit Committee (GRAC)
- 5.6 On an annual basis the details of the responsible officers shall be reviewed by the Head of Internal Audit to ensure that details remain relevant and up to date. This review will not require re-endorsement of the strategy.

PREVENTION AND DETERRENCE

6. Corporate Framework

6.1 The Council has a number of policies, procedures and guidance that are designed to support this policy in countering, and preventing fraud occurring. These policies take account of legislation and expected standards in public life. Such documents include:

- The Codes of Conduct for Members and Employees;
- The Council Constitution;
- Disciplinary Procedures;
- Complaints Procedures;
- Whistleblowing Policy;
- Anti-Money Laundering Policy; and
- Register of Interests and Register of Gifts and Hospitality.

7. Cultural Framework

7.1 The Council is determined to promote a culture of honesty, integrity and opposition to fraud, corruption and bribery. The prevention and detection of this is the responsibility of all. To deliver this the Council will:

- Accurately identify the risk of fraud
- Create and maintain a strong counter fraud culture
- Take action to deter, prevent and detect fraud
- Investigate and apply sanctions and seek redress where fraud is proven
- Record and report our outcomes annually (where appropriate) to the GRAC

7.2 To this end, the Council expects the highest possible standard of service to the public, and employees and Councillors are expected, without fear of recrimination, to bring to the attention of the Council's Monitoring Officer any unlawfulness or maladministration in the provision of services. Further details in respect of this are included within the Council's Constitution and the Code of Conduct for Members and Employees.

7.3 The Council has adopted a Whistleblowing Policy, which encourages employees, Members and other parties to raise concerns, in the knowledge that they will not suffer victimisation, or harassment, as a result.

7.4 The Council endeavours to be open and transparent in the way that it conducts business and in making decisions. The Council's Constitution outlines the decision-making framework within the Council, and demonstrates where functions may be delegated. The Council has published details of all expenditure over £500 on its website, and will endeavour to meet all transparency requirements of Central Government. The Council has policies and procedures to respond to Freedom of Information Act requests.

7.5 Both Councillors and Employees ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of services, internal tendering, planning and land issues, etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.

8. Members

- 8.1 All Councillors are expected to maintain high standards of Conduct when performing the public duties. The Monitoring Officer works with the Standards Committee to monitor standards of conduct and provide advice, guidance and training with both the legal requirements, and the Council's own expectations.
- 8.2 Councillors are provided a copy of the Code of Conduct, advice and guidance on the declaration of interests, gifts and hospitality, and protocols on Member / Employee behaviour and involvement in planning and other judicial matters.
- 8.3 The Council's GRAC is responsible for the oversight of the production and delivery of this strategy.

9. Employees

- 9.1 A successful counter fraud culture is one where acts of fraud, corruption and bribery are widely recognised as unacceptable behaviour and whistleblowing is perceived as a public-spirited action. The Council has put in place a number of policies, procedures and other actions to promote an anti-fraud culture to the Council's officers, as detailed in paragraph 6.1.
- 9.2 All officers must abide by the Council's Code of Conduct for Employees, which sets out the Council's requirement on personal conduct. Professionally qualified officers of the Council are also expected to follow any Code of Conduct or Ethics as required by their Professional Institute.
- 9.3 In particular the Chief Executive has overall responsibility for the Council's counter fraud, corruption and bribery arrangements.

Service Managers support the Chief Executive in this role; they are responsible for the prevention and detection of theft, fraud, corruption and other irregularities within their area of responsibility. They are expected to:

- Identify, be familiar with and assess the types of risks and fraud or corruption that might occur within their area;
- Promote the Strategy, publicity and relevant training of staff and bodies they do business with;
- Be alert for any indication of fraud or corruption; and
- Be ready to take appropriate action in a timely way should there be a suspicion of theft, fraud or corruption.

The Section 151 Officer has a statutory duty to report where a decision has been made that would involve expenditure, or a loss, which is unlawful. This officer will also ensure the Council has adequate resources in place for the provision of an Internal Audit Service that is able to provide an annual opinion on the quality of systems of internal control which inform the Council's Annual Governance Statement.

- 9.4 The Council also has disciplinary procedures for all categories of employee. Any breach of conduct will be dealt with under these procedures and may result in dismissal.
- 9.5 Officers must comply with the Code of Conduct in respect of the declarations of interests, and in particular declaring any financial or non-financial interests that could conflict with the Council's interests, or could cause your conduct to be questioned.

10. Partners, Suppliers, Contractors and Other Organisations that the Council interacts with

10.1 The Council expects the highest standards from all organisations that have dealings with it. Any partners, suppliers, contractors and other third parties funded by or in receipt of payments from the Council are required to adopt or abide by Council policies, procedures, protocols, and codes of practice, where appropriate, in order to prevent and detect fraud.

10.2 All transactions with suppliers and other organisations will be entered into in line with the Council's Contract Standing Orders. These make appropriate provisions for declaring interests and the circumstances where such regulations may not apply, and rules regarding entering into contracts and verifying contract conditions. In addition, prior to entering into significant, ongoing transactions, Procurement Procedures require that appropriate due diligence checks are undertaken to ensure that suppliers have an appropriate financial and risk profile before transactions are entered into.

11. Members of the Public

11.1 Members of the public have an important role to alert the Council to any concerns about the potential for fraud, corruption or bribery that they may become aware of. They are encouraged to report their concerns, either through the Council's complaint procedure or by contacting the officers, as noted

12. Internal Control environment

12.1 The Council's internal control environment plays a key role in ensuring that fraud can be prevented. Soundly designed systems, with adequate checks built in, minimise the opportunities for untoward activities. This could be through automated controls, or through management oversight of transaction activity.

12.2 Management retains responsibility for the oversight of the internal control environment within their specific service areas, internal and external inspections additionally play an important role in ensuring that operational arrangements are operating effectively.

12.3 For example, Internal Audit prepares a risk based audit plan each year, which is cognisant of those areas where historically, there has been the potential for fraud and corruption, and effectively provides for a work programme which encompasses those services and systems (financial and non-financial) that are subject to the highest level of inherent risk.

12.4 In the course of completing audit assignments, Internal Audit will also separately identify fraud risks, determine what management control mechanisms have been put in place to address those risks and review their adequacy and effectiveness. Recommendations will be put forward aimed at strengthening systems of internal control which are designed to remove potential opportunities for fraud and corruption in the future. This also ensures that any concerns that External Audit may have with regards to the risk of misstatement due to fraud and error is both sufficiently addressed and appropriate recommendations made where necessary.

12.5 The Council also recognises that a key preventative measure against the possibility of fraud or corruption is to take effective steps at the recruitment stage to establish, as far as possible, the propriety and integrity of potential employees. This include temporary and contract staff. Agencies providing temporary staff should be required to confirm references have been obtained and validated.

12.6 The Council requires recruitment to be in accordance with the Council's Recruitment Policy. Written references should be obtained and any relevant qualifications should be confirmed prior to appointment.

12.7 Once recruited, employees are subject to an induction process. Similarly, upon election, Members are also required to complete an induction. As part of this induction, Members and officers must review the relevant Codes of Conduct, and familiarise themselves with the Whistleblowing Policy and this strategy.

13. Working with others – External Audit and National Fraud Initiative

13.1 External Audit are charged with ensuring that the Council is correctly reporting its arrangements in relation to counter fraud, corruption and bribery and where cases are uncovered involving sums in excess of £10,000 or of a particularly complex nature, these are being brought to its attention by Internal Audit. In the event that External Audit suspects a fraud, they will pass this over to Internal Audit for investigation, or in exceptional circumstances reserve the right to retain control over a fraud investigation.

13.2 Annually the Head of Internal Audit provides a response to the External Auditors; "Internal Audit's Views on the Risk of Fraud". This provides information to assist the External Auditors in assessing the Council in relation to:

- Knowledge of any actual, suspected or alleged fraud affecting the Authority;
- Views about the risks of fraud at the Authority;
- Areas within the Council at greater risk of fraud;
- Procedures used by Internal Audit to detect fraud; and
- Management's response to any findings as a result of these procedures.

13.3 The Council participates, wherever possible, with exercises specifically developed to ensure that opportunities to identify instances and risks of fraud and corruption are maximised. In this regard, the Council takes part in activities such as the National Fraud Initiative (NFI) and utilises data from the Housing Benefit Matching Service (HBMS), as well as being a member of the National Anti Fraud Network (NAFN) and being responsive to their bulletins and guidance.

13.4 The Council has also regularly reviews Single Person Discount, the first round of this was completed in 2012 / 13 and this has occurred annually since.

13.5 In addition, the Council seeks to work with partners and other stakeholders to make the best use of resources and exchange information (subject to provisions of the Data Protection Act and Human Rights Act) to minimise losses. Other partners include the Police, the Department for Work and Pension, the National Health Service and other local Council's.

DETECTING AND INVESTIGATING

14. Detecting Fraud that has occurred

14.1 The Council has several measures in place designed to detect fraudulent activity.

14.2 Managing the risk of fraud, corruption and bribery is the responsibility of the Chief Executive and Service Managers. Hence, the Council expects its Senior Managers to be vigilant regarding the possibility of fraud or corruption having occurred within their spheres of control. However, it is often the alertness of other employees, Councillors or members of the public that enables detection to occur and appropriate action to take place.

- 14.3 Despite best efforts some fraudulent activity or corrupt acts will be discovered by chance, “tip off” or via a whistleblowing incident. The Council has developed appropriate arrangements to enable such matters to be handled through the Whistleblowing Policy.
- 14.4 Employees are required to report any suspicion they have that fraud or corruption has taken place or may be about to take place. The Code of Conduct for Employees also advises them to report any aspect of the provision of service or behaviour of a colleague which might, if more widely known, bring the Council into disrepute.
- 14.5 In addition, participating in activities such as NFI and utilising data from HBMS more readily helps the Council to identify where fraud has potentially occurred. The work of Internal Audit and the Council’s External Auditors may lead to detection of fraud.

15. Investigative approach

- 15.1 The primary means of investigating frauds is through the Monitoring Officer and is able to apply appropriate sanctions and call in other relevant officers for support as required. This will apply to all benefits related fraud, and the majority of other “internal” frauds.
- 15.2 There are provisions in the Internal Audit Service contract to engage Counter Fraud trained auditors, to work under the direction of the Head of Internal Audit, and in addition, the Head of Internal Audit can be involved in such special investigations. **Appendix A** provides the detailed processes that need to be followed.
- 15.3 The Monitoring Officer is responsible for monitoring and ensuring the investigation of Whistleblowing concerns received. Where such cases involve an instance of fraud and corruption, these will need to be jointly overseen by the Monitoring Officer and the Head of Internal Audit.
- 15.4 The Head of Internal Audit shall be responsible for the reporting of the outcomes of **non**-housing and council tax support fraud cases to Council Members, through providing updates in response to any cases that arise.

SANCTIONS AND REDRESS

16. Taking action where necessary

- 16.1 Where it has been identified that fraud, corruption or bribery has occurred, the Council is committed to ensuring that all appropriate sanctions and courses of redress are undertaken.
- 16.2 Although the Council’s primary means of sanction and redress of employees is through the Disciplinary Procedure, and Members may be investigated through the Standards Committee, this does not preclude the Council taking additional action.
- 16.3 The Council will seek to work with other parties, in particular the Police, wherever necessary or appropriate. The Council also has a public duty to seek financial redress, wherever feasible.

Appendix A

Investigative approach

1. Introduction

- 1.1 The purpose of the Council's Fraud, Corruption and Bribery Investigative Approach is to set out the action to be taken when a fraud is suspected or discovered. This plan forms part of the Council's overall approach to countering fraud and corruption.
- 1.2 Adhering to this will enable the Council to ensure that all incidents of fraud, corruption and bribery are handled in a consistent and responsible manner and the relevant responsibilities when responding to an incident are clear.

2. Reporting Concerns of Fraud, Corruption and Bribery

- 2.1 Anyone who has a concern that a potential incident of fraud, corruption or bribery has arisen should always attempt to raise these concerns at the earliest opportunity. The Council acknowledges that this can be a difficult and challenging act to do in some cases, and the Whistleblowing Policy has been established to provide those raising concerns with a safe avenue with which to do so. It also offers sources of advice and guidance that they may turn to.
- 2.2 The Whistleblowing Policy makes clear that the Council will always respect the confidentiality of those who raise a concern. Wherever possible, it encourages the whistleblower not to remain anonymous, and ensure that concerns are in writing to ensure that the facts of the situation are clarified.
- 2.3 Wherever the concern raised or identified relates to a matter of fraud, corruption and bribery (that is not housing and council tax support fraud), it is important to ensure that the Head of Internal Audit is notified in order that they can ensure appropriate investigatory measures are undertaken. Wherever possible, and whilst respecting confidentiality, the Head of Internal Audit will work with other officers to ensure that the right people are kept informed of incidents; in particular, they may need to notify the Section 151 Officer and members of the Corporate Leadership Team. The Monitoring Officer and the Head of Internal Audit should liaise to ensure that cases raised in respect of whistleblowing are appropriately addressed, and to ensure the Head of Internal Audit is aware of all issues that may impact upon delivery of the Annual Internal Audit Plan.

3. Reacting to reports of fraud, corruption and bribery

- 3.1 All reported cases will be handled in a fair and consistent manner. The Council will remain mindful of the legislative framework governing the investigation of concerns, in particular:
 - Freedom of Information Act 2000
 - Data Protection Act 2018
 - Human Rights Act 1998
 - Criminal Procedures and Investigations Act 1996
 - Police and Criminal Evidence Act 1984
- 3.2 As the Whistleblowing Policy identifies, if someone raises a malicious allegation they know is untrue, then the Council will not investigate the case further. The Council will also endeavour to be sensitive to the alleged wrongdoers, to ensure minimisation of damage where subsequently, allegations cannot be substantiated.

- 3.3 Any investigations which involve potential fraud in relation to housing and council tax support will be undertaken in line with the Monitoring Officer's standard procedures, which follow guidance issued by the Department of Work and Pensions. The team will remain responsible for monitoring all statistics and the progression of cases in line with their standard framework. As such, the processes for the conduct of investigation set out below only relate to cases that are not of a benefits fraud nature.

4. Conducting Investigations

- 4.1 The Head of Internal Audit is responsible for overseeing the progress of fraud, corruption and bribery investigations to ensure they are undertaken in a consistent and appropriate manner, and undertaken in line with legislative requirements and agreed procedures. If the concern directly affects the Head of Internal Audit, this role will be adopted by the Section 151 Officer.
- 4.2 The Head of Internal Audit will also remain responsible for liaising with Service managers as to the incident raised and the progression of the investigation. Should disputes arise during the course of an investigation, these will be referred to the Section 151 Officer (and, if necessary, the Chief Executive to assist resolution).
- 4.3 A number of options will be considered when determining who will be responsible for undertaking investigative work but for the most part, the Monitoring Officer will be called upon to perform this work, unless the investigation directly affects an officer within that team, or it is deemed that additional expertise is required to undertake the review. If necessary, external investigators (e.g. forensic auditors) may be appointed to undertake the investigation.
- 4.4 At the commencement of any investigation, the Head of Internal Audit will agree the method and terms of reference for the investigation. Although it is acknowledged that flexibility will be required depending on the nature of the case, it is expected that the following will need to be considered:
- Who will conduct the investigation
 - The arrangements for collecting and documenting evidence
 - Estimated time span for the investigation
 - Consideration of direct referral to / liaison with other authorities (e.g. Police)
 - Agreeing the mechanism for reporting progress and the final outcomes
 - Liaison with Human Resources over potential suspension / transfer / disciplinary action with regards alleged wrongdoers
- 4.5 Where it is deemed necessary to refer cases to the police, careful consideration will be given as to whether to proceed with internal investigation. However, it is expected that all staff, Members and third parties will be expected to comply with both internal and police investigations as appropriate, and wherever possible Council and police enquiries will be co-ordinated to maximise their effectiveness.
- 4.6 Upon completion of any investigation, it is expected that a report will be produced highlighting the main findings. The report will be shared with the Head of Internal Audit, who will then be responsible for identifying the further necessary action in line with other appropriate officers (e.g. liaison with Human Resources if disciplinary action is required, or referral to the Section 151 Officer where inappropriate spending has been identified). Where it has been found that fraud or corruption has occurred, then a summary of the findings will be presented to the Corporate Leadership Team. Where fraud or corruption could not be proven, the findings will only be shared with those who have a genuine and legitimate need to know.

- 4.7 The Head of Internal Audit will also keep the person raising the concern informed of the progress of the investigation, however will not necessarily be able to share either the report or the conclusions of the investigation. Where this relates to a whistleblowing case, the Head of Internal Audit will continue to work with the Monitoring Officer in this regard.
- 4.8 It is the responsibility of management to ensure that any losses arising from an investigation are recovered, provided that there are reasonable grounds for doing so. There are various methods of recovery the Council can utilise, for example recovery from the perpetrator, through the Council's insurers, or through legal proceedings.

5. General Processes

- 5.1 This investigative approach will be available to staff and Members through the Council's intranet. It is acknowledged that circumstances may dictate further updates to the plan, and as such any changes can be made subject to agreement with the Section 151 Officer, Head of Internal Audit and Human Resources.
- 5.2 The Head of Internal Audit will remain responsible for ensuring that records in respect of fraud cases are appropriately maintained, and, in line with guidance issued by The National Archives, records relating to proven frauds will be maintained for at least 6 years.

Corporate Counter Fraud Awareness Action Plan

Aim	Actions	Outcome
To measure exposure to fraud risk and address fraud risks identified.	There is a corporate risk register and relevant fraud risks are recorded therein. There is also national data available through the National Fraud Initiative which is analysed periodically, data from the Housing Benefit Matching Service, information from National Anti Fraud Network and information sharing with External Audit.	A record of potential fraud risks and a record of these are mitigated and monitored.
To undertake validation / verification checks on areas at risk of fraud.	These are identified as part of the annual audit planning process and also during each audit. These will be tested to gain assurance that fraud risks are appropriately mitigated.	A Council that is pro-active in mitigating the risk of fraud.
To increase internal fraud awareness	<p>We will increase the awareness of fraud among employees through:</p> <ul style="list-style-type: none"> • Targeted fraud awareness training for key teams and staff in high fraud risks areas; • General fraud training for all staff and Members; • Consideration of other publicity methods i.e. counter fraud item in Council's Staff Bulletin and counter fraud pages on the Intranet. • Regular promotion of the Whistleblowing Policy and ways staff can report concerns; • This Strategy and the Whistleblowing Policy being accessible to staff through the Intranet. 	<p>A counter fraud and corruption culture.</p> <p>Staff are alert to the risk, and indicators, of fraud.</p> <p>Staff know when and how to report fraud concerns.</p> <p>Fraudsters are deterred from committing fraud.</p>

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Revised Internal Audit Plan 2020/21

Summary: The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Conclusion: The attached report at Appendix 1, provides the Council with the intended approach to providing the Council with assurance over key risks that have materialised due to the Coronavirus pandemic. This approach ensures that enough coverage is provided for the 2020/21 annual internal audit opinion to be given whilst ensuring that the planned work does not adversely impact upon recovery efforts.

Recommendation: **To note and approve:**

- a) **The approach to providing assurance for 2020/21 due to the Coronavirus Pandemic.**
- b) **The revised Strategic Internal Audit plan 2020/21-2022/23**
- c) **The revised Annual Internal Audit Plan 2020/21**

Cabinet member(s):

All

Contact Officer, telephone number, and e-mail:

Ward(s) affected:

All

Faye Haywood, Internal Audit Manager for North Norfolk DC
01508 533873, fhaywood@s-norfolk.gov.uk

1. Background

1.1.1 The 2020/21 Internal Audit Plan was due to be approved by the Governance, Risk and Audit Committee 24 March 2020 however due to the impact of the Coronavirus Pandemic, this meeting was cancelled. The 2020/21 plan had been agreed by senior management prior to this.

1.1.2 In line with the Public Sector Internal Audit Standards, the risk-based plan is required to be sufficiently flexible to reflect the changing risk and priorities of the organisation. Therefore, in response to the impact of the Pandemic, it has become necessary to revise the 2020/21 Internal Audit Plan previously agreed by management and seek approval from the Governance, Risk and Audit Committee.

2. Issues for discussion

- 2.1 Due to the way in which the Coronavirus Pandemic has impacted on the risk profile of the Council, the approach to providing assurance in the Internal Audit plan needs to be revised to ensure that key risks and issues are covered.
- 2.2 Our intended approach ensures that an annual opinion on the effectiveness of Governance, Risk Management Control can be given by covering key risks whilst reducing the planned days slightly to limit the impact that the plan will have on officer time during recovery.
- 2.3 We therefore request that the Committee:
- Considers and approves the revised approach, the Strategic Internal Audit Plan indicating the plan of work for the next three years pending further risk assessments.
 - Considers and approves the revised Annual Internal Audit Plan, which details the timing and the purpose of each audit agreed for inclusion in 2020/21.

3. Conclusion

- 3.1 The attached report at Appendix 1, provides the Council with the intended approach to providing the Council with assurance over key risks that have materialised due to the Coronavirus pandemic. This approach ensures that enough coverage is provided for the 2020/21 annual internal audit opinion to be given whilst ensuring that the planned work does not adversely impact upon recovery efforts.

4. Recommendation

- 4.1 The Audit Committee is requested to note and approve:
- The revised Strategic Internal Audit Plans 2020/21 to 2022/23; and
 - The revised Annual Internal Audit Plan 2020/21.

Attachment

Appendix 1 – Revised Internal Audit Plan 2020/21

Eastern Internal Audit Services



NORTH NORFOLK DISTRICT COUNCIL

Revised Strategic and Annual Internal Audit Plans 2020/21

Responsible Officer: Head of Internal Audit

CONTENTS

1. INTRODUCTION.....	2
2. INTERNAL AUDIT STRATEGY	2
3. REVISED STRATEGIC INTERNAL AUDIT PLAN	4
4. REVISED ANNUAL INTERNAL AUDIT PLAN 2020/21	4
APPENDIX 1 – STRATEGIC INTERNAL AUDIT PLAN	6
APPENDIX 2 – ANNUAL INTERNAL AUDIT PLAN.....	10

1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 The 2020/21 Internal Audit Plan was due to be approved by the Governance, Risk and Audit Committee on 24 March 2020, however due to the impact of the Coronavirus Pandemic this meeting did not go ahead. In line with the Public Sector Internal Audit Standards, the risk-based plan is required to be sufficiently flexible to reflect the changing risk and priorities of the organisation. It is therefore necessary to revise the 2020/21 Internal Audit Plan agreed with Management earlier in 2020 and seek approval from the Committee.
- 1.3 The Coronavirus Pandemic has impacted the Council in several ways, some of the significant impacts on the Council include:
 - Staff being re-deployed to front line services to ensure residents basic needs are met such as food and medicines whilst remaining mindful of safeguarding concerns.
 - The pausing of key Council projects whilst workforce and contractors are in lockdown impacting on deadlines and budgets.
 - Increased pressure on HR to monitor and manage large numbers of staff re-deployed, sickness and changes to working arrangements.
 - The issuing of business grants at short notice without pre-defined procedures or assurance over adequacy of data used or pre application checks for the prevention of fraud.
 - Additional pressure put upon the technological capabilities of the Council to allow staff to work from home during the pandemic.
 - Additional requirements from central government on Councils to temporarily house rough sleepers.
- 1.5 In response to the significant pressure placed on the Council to react effectively to the Pandemic, Internal Audit activity was paused in April 2020. In addition, the Internal Audit contractors TIAA took the decision to Furlough most of their workforce until 1 July 2020.
- 1.6 The Internal Audit Plan for 2020/21 will therefore be reconsidered to reflect to the changing risk profile of the Council and to ensure that Internal Audit and Officer resources are able to support the assurance work required to formulate an opinion on the governance, risk and control framework for 2020/21.
- 1.7 This report outlines our approach to Internal Audit for 2020/21 in response to the impact that the Coronavirus Pandemic has had on the Council.

2. INTERNAL AUDIT STRATEGY

- 2.1 Due to the impact of the Coronavirus Pandemic the risk profile of the Council has changed significantly from the one used to formulate the 2020/21 Internal Audit Plan earlier this year. The risk register and Corporate Plan used to identify areas where assurance would need to be provided will in some cases no longer be appropriate.
- 2.2. We therefore determine that the most effective way to provide assurance over the current governance risk management and control framework for 2020/21, considering any significant changes, is to cover key themes. This will enable enough assurance to be provided throughout the year to support the Head of Internal Audit Opinion whilst ensuring that officers are not

placed under additional pressure to support internal audit if it is not deemed urgent or necessary at this time.

2.3 The 2020/21 Internal Audit Plan will now be split into five key themes providing assurance over key controls, changes to the control framework, current risks, and the Council's preparedness for recovery and ongoing disruptions.

2.4 The five key themes are as follows:

Theme	Audit
Theme 1: Assurance Mapping	A questionnaire style enquiry will be carried out to gather information and determine any changes to the control environment and document any available assurance that these controls are working effectively. One areas of focus for this enquiry will be to evaluate the strength of controls for the prevention of Fraud and support staff with remote working.
Theme 2: Key Controls	In order to enable us to provide an opinion over the key financial and governance controls of the Council, our annual testing regime will be enhanced, and the assurance mapping exercise mentioned above will be used where appropriate to develop testing for new controls. This will provide independent assurance to Senior Management and the Committee that governance and financial risks have been appropriately mitigated during the Pandemic period.
Theme 3: Response and Recovery	We will provide assurance that the Council has where possible reacted sufficiently to the pandemic and considered its response to recovery. This review will be carried out across the Consortium comparing the approaches taken by each of our members in areas such as: Supporting the Local Economy, staff reintegration, financial modelling and business plan revision and preparedness for ongoing disruptions. If appropriate we will suggest areas for lessons learnt in the Councils response to the Pandemic.
Theme 4: Partnerships	This work will be carried out in the style of a position statement and will evaluate the impact of the Pandemic on the Council's ability to deliver key projects and services through third party contracts during and in the recovery phase of the pandemic.
Theme 5: Essential Assurance	This work will ensure that areas from the originally agreed 2020/21 Internal Audit Plan that are integral to forming an opinion on the governance, risk management and control framework for 2020/21 are still carried out. This will include areas where limited assurance or no assurance has been given in previous years and where control weaknesses remain or have increased due to the Coronavirus Pandemic.

- 2.5 Internal Audit reviews that were included in the original plan for 2020/21 will be deferred to 2021/22. A risk assessment will be undertaken to establish whether each area is still required early in 2021 when the risk based internal audit plan for the year ahead is developed.

3. REVISED STRATEGIC INTERNAL AUDIT PLAN

- 3.1 **Appendix 1** shows the internal audit reviews that have been deferred from the original 2020/21 Internal Audit plan and have now been deferred to the 2021/22 plan. The Strategic Internal Audit plan indicates the Council's assurance requirements for the next three years based on the current risk register and corporate plan.
- 3.2 Each area will be subject to a risk assessment during planning in early 2021 to determine if it is still required for 2021/22 based on the Council's requirements, at that time. We expect that the plan for the next three years will change considerably in response to the Coronavirus Pandemic.

4. REVISED ANNUAL INTERNAL AUDIT PLAN 2020/21

- 4.1 **Appendix 2** shows the revised Internal Audit Plan for 2020/21. The plan incorporates the five key themes mentioned in section 2, covering the key risks identified in relation to the impact the Coronavirus Pandemic has had on the Council. The revised plan aims to ensure that we can form an opinion on the governance, risk management and control framework whilst ensuring that we do not place increased pressure on officers to support Internal Audit work during the recovery phase.

- 4.2 The revised Internal Audit plan 2020/21 includes; the theme, Internal Audit area, key risk, number of days, quarter in which it will be undertaken, and a summary of the work proposed.

Theme 1 - Assurance Mapping and Theme 3 – Recovery, will be undertaken at all Council's within the Consortium within the same period. This will allow Internal Audit to compare each Council's response to the Pandemic, drawing out good practice where relevant and including it in our conclusions for consideration.

- 4.3 The revised Annual Internal Audit Plan for 2020/21 now totals 11 reviews over 129 days of which will be provided by Eastern Internal Audit Services.
- 4.4 Audit verification work concerning audit recommendations implemented to improve the Council's internal control environment will also be undertaken throughout the financial year but reduced to reflect the decrease in scheduled Governance, Risk and Audit Committee meetings to 5 days.
- 4.5 As a result of the proposed revisions the original 2020/21 Internal Audit Plan has been reduced by 59 days representing a decrease in the agreed Internal Audit budget for 2020/21. It is important to note that the decrease is in response to unprecedented circumstances and represents the absolute minimum assurance required to form a caveated opinion on the governance, risk management and control framework for 2020/21. We will aim to revert to our usual level of assurance coverage in the 2021/22 Internal Audit Plan.

5. RECOMMENDATIONS

- 5.1 Senior Management and the Committee to consider the suggested revisions to the 2020/21 Internal Audit Plan to ensure that it provides the coverage required to meet the assurance needs of the Council.

6. CONCLUSION

- 6.1 We are committed to remaining responsive to the needs of the Council throughout the year amending our approach as and when required.
- 6.2 The Internal Audit contractor TIAA will continue to be subject to the performance measures outlined within the contract and progress against the revised 2020/21 Internal Audit Plan will be reported to the Committee at the agreed intervals.

APPENDIX 1 – STRATEGIC INTERNAL AUDIT PLAN

Audit Area	Last review & assurance	Associated Risk	2020/21	2021/22	2022/23
Annual Opinion and Corporate audits					
Theme 1 - Assurance Mapping	New area	Establish changes to key controls in response to Coronavirus Pandemic.	8		
Theme 2 - Corporate Governance	2016/17 - Reasonable 2018/19 - Reasonable	Critical to annual internal audit opinion	4		6
Risk Management	2017/18 - Substantial 2019/20 - Reasonable	High			6
Theme 2 - Key Controls and Assurance	2018/19 - Substantial 2019/20 - Substantial	Critical to annual internal audit opinion	10	15	10
Theme 3 Coronavirus Pandemic Recovery	New area	Council's ability to recover from impact of the Coronavirus Pandemic	15		
Performance Management, Corporate Policy and Business Planning (includes commercialisation strategy) - Deferred to 2021/22	2017/18 - Substantial	Medium		12	
Project Management Framework - Deferred to 2021/22	Position Statement	High		6	
Digital Transformation - benefits realisation	2018/19 Substantial	High 003			6
Elections and Electoral Registration	2014/15 - Substantial 2018/19 - Substantial	Medium			10

Audit Area	Last review & assurance	Associated Risk	2020/21	2021/22	2022/23
Fundamental Financial Systems					
Accountancy Services includes control accounts, banking, bank reconciliation, asset management / capital expenditure, budgetary control and treasury management	2017/18 - Substantial 2019/20 - Substantial	High 015		16	
Theme 2 - Accounts Payable (insurance)	2016/17 - Reasonable 2018/19 - Reasonable	Assurance to support annual internal audit opinion	12		12
Accounts Receivable	2017/18 - Reasonable 2019/20 Reasonable	High		10	
Income	2017/18 - Substantial 2019/20 - Reasonable	High		7	
Theme 2 - Council Tax and National Non-Domestic Rates	2016/17 - Substantial 2018/19 - Substantial	Assurance to support annual internal audit opinion	15		15
Theme 2 - Local Council Tax Support and Housing Benefits	2016/17 - Substantial 2018/19 - Substantial	Assurance to support annual internal audit opinion	15		15
Theme 2 - Payroll and Human Resources	2016/17 - Reasonable	Assurance to support annual internal audit opinion	15		15

Audit Area	Last review & assurance	Associated Risk	2020/21	2021/22	2022/23
Service Area audits					
Theme 4 - Procurement and Contract Management	2017/18 - Reasonable 2019/20 - Reasonable	Position statement - Theme 4 Partnership Impact of Coronavirus	10		
Customer Services - Deferred to 2021/22	New Area	Medium		10	
Cash Handling - Deferred to 2020/21	New Area	Medium		8	
Property Services	2016/17 - Substantial 2019/20 - Reasonable	Medium 001			
Economic Growth - Deferred to 2021/22	2013/14 - Reasonable	Medium		10	
Early Help Hub	New audit area	Medium			10
Coastal Management	2014/15 - Reasonable 2019/20 - Substantial	High 002			
Housing Strategy Homelessness and Housing Options	2015/16 - Reasonable 2018/19 - Reasonable	Medium			10
Affordable Housing and Housing Enabling	2019/20 - Reasonable	Medium 010			
Theme 5 - Private Sector Housing -includes DFGs and discretionary grants	2016/17 - Reasonable	Essential assurance to support annual IA opinion	10		
Sports Halls	2014/15 - Reasonable	Medium			
Leisure	2015/16 - Reasonable 2019/20 - Substantial	Medium			
Pier Pavilion	2015/16 - Reasonable 2018/19 - Reasonable	Medium			
Car Parking	2017/18 - Reasonable 2019/20 - Reasonable	Medium			10
Markets	2016/17 - Substantial	Medium			6
Parks and Open Spaces and Woodland Management	2015/16 - Reasonable	Medium			10
Beach Huts	2017/18 - Reasonable	Medium			
Democratic Services	2016/17 - Reasonable	Low			
Legal Services	New specific area	Medium			10
Waste Management including contract / agreement monitoring, income collection & monitoring, refuse collection, street cleansing, recycling, clinical waste, abandoned vehicles and grounds maintenance - Deferred 2021/22.	2017/18 - Reasonable	High 002		10	
Environmental Health includes emergency planning, food safety, environmental protection, pest control, dog warden, licensing and pollution control - Deferred to 2021/22	2017/18 - Reasonable 2018/19 Reasonable	High 002		12	
Building Control - Deferred 2020/21	2017/18 - Substantial	High		7	
Land Charges	2017/18 - Reasonable	Medium			7
Development Management includes planning applications	2017/18 - Reasonable 2019/20 Reasonable	High			10
Section 106 Arrangements	2019/20 - Reasonable	Medium			

Audit Area	Last review & assurance	Associated Risk	2020/21	2021/22	2022/23
ICT Audits					
Network Infrastructure and Security	2014/15 - Limited 2018/19 Reasonable	High			
Remote Access	New specific area	Essential assurance to support annual IA opinion	10		
Business Support Arrangements	2018/19 Reasonable	Medium			
Business Continuity & Disaster Recovery	2017-18 Reasonable 2019/20 - Reasonable	Medium 013			
Information Management - Deferred to 2021/22	New specific area	High 008		10	
Applications review: HR system, Revenues and Benefits	New specific area	Medium			10
Cyber Security	2019/20 - Reasonable	High			
Audits to be confirmed				20	20
Follow Up of audit recommendations					
Follow up - internal audit recommendations			5	10	10
Total number of days			129	163	208

APPENDIX 2 – ANNUAL INTERNAL AUDIT PLAN

Audit Area	Risk Area	No of days	Q1	Q2	Q3	Q4	Description
Theme 1 - Assurance Mapping							
Assurance Mapping Exercise	Some of the Council's Key and service area controls will be revised to respond quickly to the Coronavirus Pandemic and may be carried out by staff outside of their usual responsibilities due to being redeployed.	8		8			We will conduct a questionnaire style enquiry to document and risk assess any changes in controls that have taken place in response to the Pandemic. We will gather information on any available assurances that these controls are working effectively and will focus on the strength of controls for the prevention of Fraud and supporting staff to work remotely. This will allow us to ensure that testing is focused in these areas and independent assurance is provided over the adequacy of the internal control framework for the annual opinion.
Theme 2 - Key Controls							
Corporate Governance	The processes for decision making may have changed in some areas in response to the Pandemic.	4			4		This review is carried out annually to support the Head of Internal Audit Opinion. Supported by the above assurance mapping exercise, we will provide assurance that any changes to the systems in place to control and manage the Council such as the utilisation of virtual meetings have been made in line with the constitution.
Key Controls & Assurance	Some of the Council's Key Controls will be revised to respond quickly to the Coronavirus Pandemic and may be carried out by staff outside of their usual responsibilities due to being redeployed.	10				10	This annual review is essential to support the Head of Internal Audit Opinion. Supported by the above assurance mapping exercise, our review will be extended to cover all key controls in depth, identifying areas for additional testing where risks have been identified. Accountancy Services, HR & Payroll, Accounts Payable, Accounts Receivable and Income will all be subject to testing.

Audit Area	Risk Area	No of days	Q1	Q2	Q3	Q4	Description
Theme 2 - Key Controls - Financials							
Accounts Payable	Some of the Council's Key Controls will be revised to respond quickly to the Coronavirus Pandemic and may be carried out by staff outside of their usual responsibilities due to being redeployed.	12			12		These key financial systems feed into the Statement of Accounts and requires periodic full service reviews to confirm the adequacy and effectiveness of controls in these areas. The assurance mapping exercise in Q2 will be used to determine any changes to key controls in these areas to identify areas of additional testing.
Council Tax and NNDR		15			15		
Local Council Tax Support and Housing Benefit		15			15		
Payroll and Human Resources including staff and member expenses, training agreements, turnover reporting and establishment reconciliation.		15			15		
Theme 3 - Recovery							
Coronavirus Pandemic - Council's Response and Recovery Plan	<p>Services disrupted to focus on statutory and to ensure residents basic needs are met. The increased costs of these changes.</p> <p>The Council's Corporate Plan, Medium Term Financial Plan, planned projects may need to be revised to ensure effective recovery from the Coronavirus Pandemic.</p> <p>Staff working arrangements and the Council's technological capacity may have to support continued disruptions.</p>	15				15	We will provide assurance that the Council has where possible considered its response to recovery following the Pandemic. This review will be carried out across the Consortium comparing the approaches taken by each of our members in areas such as: Supporting the Local Economy, reverting of resources to statutory services, staff reintegration, financial modelling, business plan revision and preparedness for ongoing disruptions. If appropriate we will suggest areas for lessons learnt in the Councils response to the Pandemic.

Audit Area	Risk Area	No of days	Q1	Q2	Q3	Q4	Description
Theme 4 - Partnerships							
Procurement Contract Management	The pausing of key Council projects whilst workforce and contractors are in lockdown impacting on deadlines, budgets and ability to monitor contracts.	10			10		Our review will evaluate the Council's ability to monitor contracts in place during the Pandemic and during recovery. We will seek to provide assurance that the Council has reviewed the impact that the pandemic may have had on third parties ability to deliver services for the Council and key projects.
Theme 5 - Essential Assurance							
Private Sector Housing inc DFGs and discretionary grants	Essential assurance to support annual IA opinion	10				10	Internal Audit last reviewed this area in 2016/17 where a reasonable assurance grading was given. We are required to periodically review this area to support the annual Head of Internal Audit grant certification.
Remote Access	Additional pressure put upon the technological capabilities of the Council to allow staff to work from home during the pandemic.	10				10	An audit of the infrastructure and management of remote access will be carried out to provide assurance that IT systems are able to support the additional pressure placed on them from the Coronavirus Pandemic and provide assurance that continuous disruptions could be supported.
Follow Up of audit recommendations							
All previous audits NNDC	Risks identified in previous internal audit reviews remain unless mitigated through the completion of recommendations.	5	0	1.66	1.66	1.66	Follow up of recommendations. Evidence will be obtained from management to support completion of recommendations.
Total number of days		129	0	9.66	82.7	36.66	



North Norfolk District Council

Position Statement – Egmore Project

2019/20 (NN/20/19)

FINAL

March 2020

Contents

	Page No
Executive Summary	2 - 3
Suggested Actions / Improvements	4 - 9
Appendix 1 – Audit Timetable	10
Appendix 2 – Acknowledgements	11
Appendix 3 – Disclaimer	11

Position Statement – Egmere Project

Executive Summary

INTRODUCTION

1. This review was carried out in December 2019, as an addition to the audit plan on request of the Chair of the Governance, Risk and Audit Committee. Following the issue of a previous audit report in August 2019, detailing the outcomes of a review on the Council's Project Management arrangements (NN/20/01), it was requested that two further projects were subject to audit scrutiny; this is the second of those two reviews, the first being Sheringham Leisure Centre (NN/20/18). This review relates to the potential development opportunity at a site situated north of Edgar Road, Egmere. At the Cabinet meeting held on 15th August 2019 a report was provided recommending that Cabinet cease the current scheme and that any unallocated funds are made available for alternative capital projects and this recommendation was approved.

SCOPE

2. The objective of the review was to highlight any possible areas for improvement and provide a 'Position Statement' to the senior management of the Council on the outcomes of the review, as outlined above. The review considered the initial information that was provided to Members at the time that the project was approved, the budget of the project and the effectiveness of the governance arrangements.

MATERIALITY

3. The report to Cabinet on 23rd September 2019 reported on the financial position, stating that spend to date on the project had been circa £180k, with a net cost to the Council of £85k after Norfolk Business Rates Pool (NBRP) contributions. In December 2019, the Estates and Asset Strategy Manager provided updated information for the audit showing a total cost of £175k, less £94k funding, leaving a total cost to the Council of £84k. It was clarified that these costs do not include recharges for Council staff time.

KEY FINDINGS

4. Outcomes of the review are detailed in the table below.

AUDIT OBSERVATIONS

5. The audit has concluded that there is evidence in place demonstrating ongoing governance, including regular reporting to Cabinet, and reviews from external consultants BE Group in both 2015 and 2019. The benefits, risks and financial implications were reviewed at each stage and reported to Members for consideration. As it was decided in August 2019 not to proceed with the scheme, a formal project was not started to develop the site. Reasons for the project not proceeding included rapid changes in the renewable energy sector, an inability to attract tenants at such an early stage, time taken to agree a potential

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Internal Audit work is performed in accordance with the IIA's recognised standards

lease with the land owner, and ultimately withdrawal of the proposed anchor tenant. A review of documentation found regular communication with the potential anchor tenant, who confirmed continuing interest as late as February 2019 before withdrawing interest in June 2019.

Findings from the review are detailed below. There is one new Suggested Action / Improvement for management to consider, which builds on those Suggested Actions / Improvements raised in the Project Management audit report NN/20/01, in particular, for project boards to include officers with the requisite skills, including representation from Finance and Legal Services, from the outset if deemed appropriate.

Other issues have been identified in this project, which have previously been identified in relation to the Council's project management overall. These include ineffective governance arrangements, lack of input from areas such as finance, legal into project appraisal, and project objectives and milestones not being adequately defined or reported on. See the previous audit report on Project Management (NN/20/01) for details and recommended actions. Where appropriate, actions from that report have been restated in the 'Findings' section of this report, in particular:

- Initial risk assessments be completed consistently between projects, using a standard template and methodology.
- Project objectives and milestones be defined at the beginning of the project and progress against these is regularly reported on.
- Regular updates to senior management on project progress to be provided, including details of issues arising and remedial actions required.

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Findings

Controls/Areas	Observations	Suggested Actions/Improvements
<p>1. A detailed business case for the project was prepared.</p>	<p>An original report outlining this potential development opportunity was reported to Cabinet in October 2014. Cabinet agreed that the Council should lead a project proposal to open up a minimum of 1.65 hectares of land within the area covered by the Egmere Local Development Order (LDO) subject to securing the necessary external funds to deliver the project. Cabinet authorised officers to obtain cost estimates for the provision of utility services into the proposed development area, pursue applications for external sources of finance, conclude discussions with the Walsingham Estate regarding the Council taking a head lease on the land, and to promote investment opportunities at Egmere to businesses seeking to invest in this part of the district. The approval at this stage was for the Council to deliver the infrastructure (road and utilities) to open up the site for development.</p> <p>The scope of the project increased during 2015, as the Council had entered discussions with a local business about leasing a unit on the site. The Council would construct the unit and then lease it to the business to generate income. A report on the revised proposals was presented to, and approved by, Cabinet in January 2016. While the risks associated with the projects increased with the expanded scope, they were mitigated by the securing of an anchor tenant and greater certainty about the project costs. By this stage, the constructions costs were more certain as the proposals had been fully costed by a consultant. In addition, a funding contribution had been secured from the Norfolk Business Rates Pool and the application for the Egmere Enterprise Zone had been approved, making the site more attractive to businesses.</p> <p>Once the heads of terms for the lease of land from the Walsingham Estate and for the lease of the unit to the anchor tenant had been agreed, and the tender price from the preferred bidder for the construction contract had been obtained, the Council was in a position to sign all of these contracts and commence the development. A report requesting authority to proceed was presented to Cabinet in 2018. The report described the benefits</p>	<p>None.</p>

Page 55

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Internal Audit work is performed in accordance with the IIA's recognised standards

Controls/Areas	Observations	Suggested Actions/Improvements
	<p>of proceeding with the scheme, the financial implications, including a sensitivity analysis of different scenarios, and the risks associated with the project.</p> <p>At the Cabinet meeting held on 15th August 2019, a report was provided recommending that Cabinet cease the current scheme and that any unallocated funds be made available for alternative capital projects and this recommendation was approved. Further development of a business plan and initiation of a formal project therefore did not take place.</p> <p>The business cases at each stage were supported by the findings of two reports by the BE Group, an external consultant. The first report was a Business Growth and Investment Opportunities Study in 2015. This concluded that the Egmere site should be left to the market, although it also stated that, 'The land will require improvements to accommodate new development [and] the landowners are likely to be reactive rather than drive speculative investment in the location.' The report also referred to a general lack of industrial units available in the district. A second report, specifically about Egmere, was produced in 2019. This advised the Egmere Business Zone project was a marginal and high-risk project from a purely financial point of view, but that it would deliver significant economic and community benefits to the community.</p>	
<p>2. The business case includes an evaluation of the associated costs, outlines how the project will be funded, builds in contingency for risk, highlights any expected savings. Assumptions are realistic and can be evidenced.</p>	<p>Internal audit reviewed the documentation in place supporting the project history. This was considered satisfactory. No examples of unrealistic assumptions were identified, and the costs and risks were subject to scrutiny by Members, with Cabinet making the decisions.</p> <p>The cost estimates reported to Cabinet in 2014 were £750k for the road works plus £750k for service connections, which were considered reasonable, and not out of line with the eventual costs in the 2018 report to Cabinet. The intention was to seek external funding in order to minimise the financial risk to the Council. A funding bid for £1m was submitted to the Coastal Communities Fund in 2014, which was ultimately unsuccessful; however, a bid to the Norfolk Business Rates Pool for £450k was successful.</p> <p>Reports to Cabinet in January 2016 outlined that the application for Egmere to be designated an Enterprise Zone had been successful (Nov 2015), the Norfolk Business</p>	<p>None.</p>

Controls/Areas	Observations	Suggested Actions/Improvements
	<p>Rates Pool application had been successful (Oct 2015) and there was firmer interest from Tidal Transit in regard to leasing premises on the site. At this time, the scope of the project had expanded to include the Council constructing one unit on site and then letting this to the anchor tenant. This increased the financial risk involved in the project, although it is noted that the Council did not commit to any expenditure, by agreeing the lease with the Walsingham Estate, without a corresponding certainty of income from the tenant.</p> <p>It was reported to Cabinet in March 2017 following the formal designation of the Enterprise Zone that the budget increased once tender responses had been received – preferred bidder price of £1.77m for infrastructure and construction of unit 1.</p> <p>A financial appraisal and sensitivity analysis was produced in July 2018 for the August 2018 Cabinet meeting. This stated that the expected return on NNDC’s investment was 5.13%, but with the worst-case scenario (in which the Council was unable to let more than one unit) giving a return of 1.62%.</p>	
<p>3. A project team and supporting governance arrangements, such as project boards, have been created to manage the project.</p>	<p>The scheme was led by the Corporate Director and supported by the then Head of Assets until the Estates and Asset Strategy Manager took over the lead role in 2017. . Advice was provided by the Head of Legal from August 2017 Evidence shows involvement from Members during the project and formal decisions were taken by Cabinet and reported to Full Council. The Leader of the Council and other Cabinet portfolio holders were involved in formal meetings with key stakeholders. A formal project board and governance arrangements were however not set up for this project.</p>	<p>Further to the Suggested Actions / Improvements raised in the Project Management audit report NN/20/01, to enhance project management further, project boards to include officers with the requisite skills, including representation from Finance and Legal Services, from the outset if deemed appropriate. (See also</p>

Page 57

FINAL

Controls/Areas	Observations	Suggested Actions/Improvements
		findings in section 4 below that link to this suggested action). Management response: Agreed where appropriate.
4. All key legal and regulatory requirements were considered before project commencement, including procurement and planning permission.	<p>In respect of the development of the Local Development Order (LDO), the proposal to create the LDO came from a Cabinet Member who had a background in planning law. Research was conducted by the Council, including meetings with other stakeholders such as local landowners and the Wells Harbour Commissioners. Evidence was obtained from other LDOs around the country to understand the process and likely outcomes.</p> <p>The land lease terms were renegotiated to increase the length of the lease from 25 years to 99 years, following advice from the Head of Legal. Officers identified that the changes required new approval from Cabinet and a 'call in' request to Overview and Scrutiny was actioned in September 2018 in line with Council Procedures. Members challenged the project, as was demonstrated by evidence provided for the audit. At the call-in, it was resolved, 'To recommend to Cabinet that the business case for the Egmere Development Zone is passed to an outside agency for stress testing of the risk assumptions and to give advice as to whether this investment is a prudent one for the Council.' A further recommendation to Cabinet was made by Full Council in September 2018, that Cabinet reconsiders its position. Cabinet resolved not to accept these recommendations, and implement its original decision, at its meeting in October 2018.</p>	None.
5. A detailed project plan has been developed covering each stage of the project, is broken down into	As the Egmere development did not proceed, the stage of preparing a detailed project plan was not reached. However, an outline plan could have been produced and objectives defined for the work that was undertaken. This was identified as a common issue with projects in the previous audit of project management (NN/20/01) and an action point was	Project objectives and milestones are defined at the beginning of the project and progress

Page 58

FINAL

Controls/Areas	Observations	Suggested Actions/Improvements
milestones and includes performance measures.	raised in that report: Action Point 9 – Project objectives and milestones are defined at the beginning of the project and progress against these is regularly reported on. Therefore, a new action will not be raised here, although the original action is restated for information only.	against these is regularly reported on. (Originally raised in Project Management audit report NN/20/01)
6. The project has been subject to a formal risk assessment, which is continually monitored and reported on for the duration of the project.	Options for how to proceed and the associated risks were reported to Members in reports at the various stages of approval for the project. A risk log was presented to Cabinet, and Internal Audit reviewed the version submitted with the September 2018 Cabinet report, as this was at the stage where the Council was in a position to commence the development. The log included seven funding and budget risks (section A), one legal and statutory authority risk (section B), one procurement risk (section D), two construction risk (section E), six third party and operational risks (section F), and three other risks (section G). There are also three closed risks on the log. The highest scored open risk is D01 Main tender exceeds budget (6000, red). Risk F01 of failure to sign a lease agreement with tenant for unit 1 was scored 2000, pink (low likelihood, high impact). While this seems low in highlight, it was arguably reasonable at the time given the interest shown by Tidal Transit. This risk scoring is not consistent with the Council’s standard risk scoring methodology or with other projects. This was identified as a common issue with projects in the previous audit of project management (NN/20/01) and an action point was raised in that report: Action Point 8 – Initial risk assessments be completed consistently between projects, using a standard template and methodology. Therefore, a new action will not be raised here, although the original action is restated for information only.	Initial risk assessments be completed consistently between projects, using a standard template and methodology. (Originally raised in Project Management audit report NN/20/01)
7. Budgets are subject to regular, detailed monitoring.	Budget reports were produced and distributed to the budget holder on a monthly basis, in accordance with the Council’s standard capital budget monitoring process. Evidence demonstrated the work undertaken to obtain external funding. Discussions were held with the New Anglia Local Enterprise Partnership (NALEP) regarding potential grant funding from the Enterprise Zone Accelerator Fund. However, due to the withdrawal of the potential anchor tenant in June 2019, there are no current finalised lease agreements in	None.

Controls/Areas	Observations	Suggested Actions/Improvements
	<p>place with either an anchor tenant or the landowner. Having these agreements in place was a requirement of the funding application to NALEP; without this certainty it has not been possible to submit a bid due to the increased levels of risk for both the external funding partner and the Council.</p> <p>The report to Cabinet on 23rd September 2019 stated: "The current capital budget for the scheme stands at c£2.255m but assumes NNDC finance the project with a £0.450m contribution towards the infrastructure costs from the Norfolk Business Rates Pool (NBRP), giving a net cost to NNDC of just over £1.8m. Spend to date on the project has been c£170k, however the Council received £44k external funding from the NBRP during 2017/18, a further £36k in April 2019 and there is a further minor claim pending of £5k, which would take the net cost to the Council down to £85k." In December 2019 the Estates and Asset Strategy Manager provided updated information for the audit showing a total cost of £175k, less £94k funding, leaving a total cost to the Council of £84k. It was clarified that these costs do not include recharges for Council staff time. The costs incurred were for consultancy and legal fees, mostly for producing the designs for the scheme. As these costs were incurred in progressing the project, the Council was able to reclaim part of them from the Norfolk Business Rates Pool, in accordance with the funding agreement.</p>	
<p>8. Risks and performance measures/milestones are subject to regular update and review including by SLT and members.</p>	<p>As stated in section 6, a risk log was produced as part of the Cabinet report in September 2018. As the project did not progress further, risks were not updated after this stage.</p> <p>No reports on this project were provided to the Council's Strategic Leadership Team. This was identified as a common issue with projects in the previous audit of project management (NN/20/01) and an action point was raised in that report: Action Point 4 – Regular updates to senior management on project progress to be provided, including details of issues arising and remedial actions required. Therefore, a new action will not be raised here, although the original action is restated for information only.</p>	<p>Regular updates to senior management on project progress to be provided, including details of issues arising and remedial actions required.</p> <p>(Originally raised in Project Management audit report NN/20/01)</p>

APPENDIX 1 - AUDIT TIMETABLE

1. The table below sets out the history of this report.

	Expected Date:	Actual Date:
Start of Fieldwork:	5th December 2019	5th December 2019
Debrief Meeting:	19th December 2019	19th December 2019
End of Fieldwork:	19th December 2019	19th December 2019
Draft Report Issued:	14th January 2020	17th January 2020*
Final Report Issued:	24th January 2020	13th March 2020**

*Delay due to review period / **Management responses

APPENDIX 2 - ACKNOWLEDGEMENTS

2. We would like to thank staff at North Norfolk District Council for their co-operation and assistance during the course of our work, in particular:
- Steve Blatch, Corporate Director and Head of Paid Service
 - Emma Duncan, Head of Legal
 - Duncan Ellis, Head of Finance and Asset Management
 - Renata Garfoot, Estates and Asset Strategy Manager

APPENDIX 3 - DISCLAIMER

3. The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.



North Norfolk District Council

Position Statement – Sheringham Leisure Centre Project

2019/20 (NN/20/18)

February 2020

Contents

	Page No
Executive Summary	2 - 3
Suggested Actions / Improvements	4 - 15
Appendix 1 – Audit Timetable	16
Appendix 2 – Acknowledgements	17
Appendix 3 – Disclaimer	17

Position Statement – Sheringham Leisure Centre Project

Executive Summary

INTRODUCTION

1. This review was carried out in October and November 2019, as an addition to the audit plan on request of the Chair of the Governance, Risk and Audit Committee. Following the issue of a previous audit report in August 2019, detailing the outcomes of a review on the Council's Project Management arrangements (NN/20/01), it was requested that two further projects were subject to audit scrutiny; this is the first of those two reviews. This relates to replacing the existing Splash facility by building a new, state of the art leisure centre in Sheringham.

SCOPE

2. The objective of the review was to highlight any possible areas for improvement and provide a 'Position Statement' to the senior management of the Council on the outcomes of the review, as outlined above. The review considered the initial information that was provided to Members at the time that the project was approved, the budget of the project and the effectiveness of the governance arrangements.

MATERIALITY

3. The original budget for the project, as approved by Full Council in December 2017, was £10.67m. However, in July 2019, the budget was increased by £2.03m to £12.70m.

KEY FINDINGS

4. Outcomes of the review are detailed in the table below.

AUDIT OBSERVATIONS

5. The audit has concluded with a number of Suggested Actions / Improvements presented to management for consideration. These will help management to learn lessons from this project and improve the financial and governance arrangements for future projects.

Key Suggested Actions / Improvements include:

1. For Members to be fully briefed with the proposed funding arrangements for a project, including secured and unsecured funding and the associated risks with unsecured funding not being received or being delayed, thus allowing Members to be better informed for making such key decisions. If funding sources are not certain, clarity is required regarding:
 - When a decision is likely to be known about external funding, e.g. a grant
 - How much expenditure will need to be committed to get to that stage, regardless of whether the project ultimately goes ahead
 - The worst case scenario e.g. if the Council has to fund the whole project itself.
2. Risks relating to budget increases be included in reports to Members, along with mitigating actions, so that Members are kept informed of any such potential increases and therefore are better informed of the likely outcomes, including any further decisions that they may be required to consider.
3. Consider introducing an 'optimism bias' into budgets for major projects, to reduce the likelihood of the project exceeding its budget. This should be determined on a case-by-case basis, as informed by the risks to the budget.

It is noted that adding to the budget will tie up more of the Council's resources and reduce opportunities to undertake other projects. As a result, it is important that any additions to the budget are not excessive, to prevent the opportunity costs exceeding the benefits obtained.
4. Project objectives and milestones are defined at the beginning of the project and progress against these is regularly reported on. (Originally raised in Project Management audit report NN/20/01 but restated here for information purposes).

Suggested Actions / Improvements

Controls/Areas	Observations	Suggested Actions/Improvements
<p>1. A detailed business case for the project was prepared.</p>	<p>The initial report regarding the redevelopment of the Splash leisure centre in Sheringham was presented to Cabinet in June 2017. This report highlighted the benefits of providing sport and leisure facilities and how this would help the Council to achieve its corporate objectives, in particular:</p> <p>‘The Council’s Corporate Plan reflects the known health benefits of sport and leisure, and Health and Wellbeing is one of the Council’s five main priorities; “A district with vibrant communities and where healthy lifestyles are accessible to all”. It is therefore important for the Council to have accessible leisure facilities that provide a variety of opportunities, in order to maintain a fit and active lifestyle.’</p> <p>The report also references the fact that the protection of at least the existing level of facilities on the Splash site in Sheringham was highlighted in the Indoor Leisure Facilities Strategy as a high priority recommendation. At the June 2017 meeting, Cabinet approved in principle the redevelopment of the Splash leisure centre in Sheringham.</p> <p>Following this approval from Cabinet, FMG Consulting was appointed to produce a feasibility study for the redevelopment of the leisure centre. FMG is a small organisation, which specialises in the sport and leisure industry and has experience working with local authorities on their leisure provision. FMG was recommended to the Council by Sport England, based on their previous experience.</p> <p>The feasibility study and business case produced by FMG was presented to Cabinet in December 2017. The business case included the strategic need for the new facility, the proposed facility mix,</p>	<p>N/A</p>

Controls/Areas	Observations	Suggested Actions/Improvements
	<p>preliminary designs, financial implications (capital and revenue), a high-level delivery plan and a risk assessment.</p> <p>Following Cabinet approval to proceed, approval for the capital expenditure of £10.67m was granted by Full Council in December 2017.</p>	
<p>2. The business case includes an evaluation of the associated costs, outlines how the project will be funded, builds in contingency for risk, highlights any expected savings. Assumptions are realistic and can be evidenced.</p>	<p>The feasibility study included cost estimates for the proposed options (two different designs for rebuild and one for refurbishment), based on a design by the architects (Saunders Boston) and construction estimates from a quantity surveyor (Real Consulting). The estimated cost for option 1 (the option that was approved) was £10.34m, which supports the overall value of the project budget being £10.67m. A financial sensitivity analysis was provided as a confidential appendix, showing the revenue impact of increases to the overall project budget, which could be caused by higher than expected contract costs or lack of grant funding.</p> <p>The proposed funding mix was also approved with the initial budget, consisting of £1m grant funding from Sport England, £0.75m from disposal of part of the site, £4m from reserves and the remaining £4.9m from borrowing.</p> <p>At the time the budget was approved, none of the external funding had been confirmed. This was noted as a risk in the initial risk assessment included in the business case produced by FMG, although only referred to in an appendix to the officer report to Cabinet and Full Council and not highlighted in the main body of the report. The grant of £1m from Sport England has since been received. However, the land disposal remains uncertain and there is a risk that the Council is unable to sell the land at the expected price or within the required timescales, in which case alternative funding will be required in order for the project to continue. Action Point 1.</p>	<p>1. For Members to be fully briefed with the proposed funding arrangements for a project, including secured and unsecured funding and the associated risks with unsecured funding not being received or being delayed, thus allowing Members to be better informed for making such key decisions. If funding sources are not certain, clarity is required regarding:</p> <ul style="list-style-type: none"> • When a decision is likely to be known about external funding, e.g. a grant • How much expenditure will need to be committed to get to that stage, regardless of whether the project ultimately goes ahead • The worst case scenario e.g. if the Council has to fund the whole project itself. <p>Management Response It is accepted that the consequences of</p>

Controls/Areas	Observations	Suggested Actions/Improvements
	<p>In the previous review of Project Management (NN/20/01), it was recommended that the Council ensures that funding is formally confirmed and in place for all projects prior to approval and commencement (Action Point 6). This may not be possible for all projects, as in this case some design work was necessary as part of the grant application process.</p>	<p>funding decisions were not explicitly explained or understood by all Members in their decision making.</p> <p>Agreed action: Proposed improvements to include a high level one-page summary of the key financial information/key risks to be presented at the front of all reports as part of an Executive Summary for all projects over a certain sum (to be agreed by SLT but suggested to be £100k, the threshold for key decisions). The summary should specifically include the following where external funding (grants etc.) form part of the overall funding package:</p> <ul style="list-style-type: none"> • the anticipated timing of any funding decision (including any initial consideration/processes prior to a final award); • the evidence/work required in order to support the funding application; • the estimated cost of the work/evidence collection required to support the bid, how this is to be obtained and the likely timescales for doing so; • the potential risks associated with the funding (the likelihood of success and the certainty of the

Controls/Areas	Observations	Suggested Actions/Improvements
		<p>value); and</p> <ul style="list-style-type: none"> consideration of options and possible alternative proposals, funding/financial considerations should the external funding not be awarded at the value anticipated (to include aborting the project). <p>Suggested owner: Finance</p> <p>Completion date: 31st March 2020</p>
<p>Continued</p>	<p>The business case produced by FMG included a section on risk. This identified 17 risks relating to the delivery of the project, mostly focused on the cost and the delivery of the project. In particular, the following risks were identified and assessed as having a high impact:</p> <ul style="list-style-type: none"> - currently unknown constraints on the site increase the capital cost - market forces (e.g. Brexit) negatively impact on construction prices - the impact of project changes on both capital and revenue estimates <p>As with the risks relating to the external funding, although these risks were identified in the FMG business case, which was provided to members (Cabinet in December 2017) as an appendix to the report about the project, they were not restated in the risk section of the covering report to Cabinet and Full Council. Action Point 2.</p>	<p>2. Risks relating to budget increases be included in reports to Members, along with mitigating actions, so that Members are kept informed of any such potential increases and therefore are better informed of the likely outcomes, including any further decisions that they may be required to consider.</p> <p>Management Response</p> <p>Risks relating to budget increases be included in reports to Members, along with mitigating actions, so that Members are kept informed of any such potential increases and therefore are better informed of the likely outcomes, including any further decisions that they may be required to consider.</p>

Controls/Areas	Observations	Suggested Actions/Improvements
		<p>The Council had obtained a feasibility report, which contained the initial detailed risk assessment, and the appendix was cross-referenced; however, it is accepted that with hindsight, given the value of this project, reference to this in the body of the report to Members could have been more explicit (specifically in the report's risk section). Similarly, it should have been carried forward and updated in future meetings. Some uncertainty and misunderstandings may have arisen due to the governance arrangements in place at the time; the Project Boards are no longer in place and the new more arrangements for regular reporting through to Cabinet and O&S for this project will now help mitigate the issue in relation to this project's implementation. It is accepted, however, that risk reporting should be more explicit at the inception and development of projects, which is covered by the new project management arrangements resulting from the prior audit report.</p> <p>Agreed action: Risk section of reports to be strengthened and improved for all reports, not just major projects, to include a high level initial risk matrix assessment to include the risk, likelihood, impact and any mitigating actions/risk management. To be carried forward between reports and</p>

Controls/Areas	Observations	Suggested Actions/Improvements
		<p>updated as required and to cover budget challenges/pressures where appropriate.</p> <p>Risk training to be provided to members so they are better able to understand the factors relating to risk and how they should be interpreted in decision making.</p> <p>Suggested owner: Finance</p> <p>Completion date: 31st March 2020</p>
<p>Continued</p>	<p>In July 2019, members were asked to increase the project budget by £2.03m and this was approved by Full Council. The report requesting the increase identified three key areas where costs had exceeded the budget: additional works due to site conditions, design changes and tender price returns being higher than expected. Action Point 3.</p>	<p>3. Consider introducing an 'optimism bias' into budgets for major projects, to reduce the likelihood of the project exceeding its budget. This should be determined on a case-by-case basis, as informed by the risks to the budget.</p> <p>It is noted that adding to the budget will tie up more of the Council's resources and reduce opportunities to undertake other projects. As a result, it is important that any additions to the budget are not excessive, to prevent the opportunity costs exceeding the benefits obtained.</p> <p>Management Response</p> <p>Optimism bias (OB) is a complex concept and needs to be better understood prior to its inclusion across the board in project decision making and project management. It is not the same thing as financial</p>

Controls/Areas	Observations	Suggested Actions/Improvements
		<p>contingency; it is a method of ensuring that a balanced, objective decision as to how/whether to proceed with a project is reached, drawing sufficient attention to the negative aspects/consequences/costs of a project during its gestation, as well as the benefits. It could be applied at the conception and early development stages of a project but caution should be exercised so as not to lead to undue project cost inflation (particularly in procurement) and 'double counting' with project contingency costs. The level of OB may be revised and reduced as a project moves forward (and may potentially be eliminated once the final decision to proceed has been made).</p> <p>Reports relating to major projects – at the early stage - could provide Members with a range of options to consider in order to counterbalance the natural eagerness to proceed with a project, i.e. 2%, 5%, 10%, 20% etc. of project costs, depending upon the associated risks, with an assessment of the factors that should influence this level (e.g. the magnitude of the matters that remain uncertain). Members can then make the decision based on the evidence provided in the knowledge of the potential impact of a higher figure. This could be brought into all new capital schemes as part of the capital bid template (e.g. at a</p>

Controls/Areas	Observations	Suggested Actions/Improvements
		<p>standard 10%).</p> <p>Agreed action. As part of future reports for key projects, optimism bias be factored in and realistic figures be provided to Members for consideration with a range of options depending upon the associated risks/uncertainty levels, further supported by an officer recommendation as to the appropriate level (from zero upwards). Further training and development should be undertaken by managers of major projects in the understanding and application of this concept. Members should be apprised of the application of optimism bias and its consequences in reports relating to the inception/ development of major projects.</p> <p>An agreed optimism bias factor (e.g. of 10%) to be added to the assessment template for all new capital projects but subject refinement based on risk analysis for significant projects as outlined above.</p> <p>Suggested owner: Finance</p> <p>Completion date: 31st March 2020</p>
<p>3. A project team and supporting governance arrangements, such as project boards, have been created to manage the project.</p>	<p>As part of the business case approval by Cabinet, delegated authority was granted to the Corporate Director to commission the necessary external support to manage the project and to commence procurement of the construction contract. It was also agreed that an</p>	<p>Refer to Action Points 1 and 2 above.</p>

Controls/Areas	Observations	Suggested Actions/Improvements
	<p>operational Project Group and a joint member/office Project Board would be set up to manage and oversee the project.</p> <p>The Project Board included senior officers involved in the project and six members, representing the main political groups at the time, as confirmed by the Board's terms of reference. It is evident from the Board meeting minutes that the financial pressures on the project were known significantly before July 2019, although it was agreed to delay making a request to increase the budget until all of the additional costs were known. The meeting minutes from September 2018 state: 'The budget moves on a daily basis but costs are £1.5m more than initial thoughts. The financial package needs to be accurate before going to Full Council in December to approve build contract.'</p> <p>A review of the minutes from the July 2019 Full Council meeting established that Members were requested to increase the project's budget and that Members were previously unaware of the additional costs relating to the project.</p> <p>The governance arrangements were revised following the July 2019 Council meeting. Under the new arrangements, the Project Board has been disbanded. Officers continue to lead on the delivery and implementation and provide status updates to the Portfolio Holder and monthly updates to Cabinet and Overview and Scrutiny Committee. The officer project management group has delegated powers to make decisions within the approved project budget; any changes to the budget require a decision from Cabinet and Full Council.</p> <p>As the issues identified in this area have already been addressed – the new governance arrangements have clear, formal reporting lines to Members on finances, progress, risk and issues – no Action Point</p>	

Controls/Areas	Observations	Suggested Actions/Improvements
	has been raised.	
<p>4. All key legal and regulatory requirements were considered before project commencement, including procurement and planning permission.</p>	<p>The need to procure a construction contractor and to apply for planning permission were included in the report to Cabinet and Full Council in December 2017. Delegated authority to procure the contract and submit a planning application was granted to the Corporate Director, by Cabinet.</p> <p>The planning application for the new leisure centre was submitted on 30th July 2018 and approved the by Development Committee on 23rd November 2018.</p> <p>Procurement of the main construction contractor commenced on 18th November 2018, with the deadline for tender submission being 18th January 2019. An open tender process was conducted as the value of the contract was over the OJEU threshold. Seven expressions of interest were received and three tenders were ultimately submitted. Real Consulting analysed the tenders and two of the tenderers were invited to interview on 24th April 2019. Both tenders were considered to meet the Council's requirements. Metnor Construction was chosen as they submitted the most financially beneficial tender. The appointment was approved by Full Council in July 2019.</p>	<p>N/A</p>
<p>5. A detailed project plan has been developed covering each stage of the project, is broken down into milestones and includes performance measures.</p>	<p>A high-level timetable was included in the initial business case, with a more detailed plan included as an appendix to the business case. An updated plan was included in the project initiation document (PID) and, once the contractor had been appointed, a detailed plan was produced for the construction phase of the project. The construction phase commenced in October 2019 and is scheduled to be completed in May 2021, with the new centre opening in September 2021.</p> <p>There are no clear milestones defined and reported against. This was identified as a common issue with projects in the previous audit of</p>	<p>4. Project objectives and milestones are defined at the beginning of the project and progress against these is regularly reported on.</p> <p>(Originally raised in Project Management audit report NN/20/01)</p> <p>Management Response</p> <p>Clarity about project objectives and the key aspects of the project plan, e.g. timescales</p>

Controls/Areas	Observations	Suggested Actions/Improvements
	<p>project management (NN/20/01) and an action point was raised in that report: Action Point 9 – Project objectives and milestones are defined at the beginning of the project and progress against these is regularly reported on. Therefore, a new action will not be raised here although is restated for information only.</p>	<p>and milestones is indeed important in order to maintain focus, prevent ‘mission creep’, and prevent drift. These should remain the point of reference for progress reporting and evaluation of performance/outcomes.</p> <p>Agreed action: clear objectives and project milestones will be specified as part of the ongoing improvements to the project management and governance frameworks. A summary of these will be provided as part of committee reporting.</p> <p>Suggested owner: Project management</p> <p>Completion date: 31st March 2020</p>
<p>6. The project has been subject to a formal risk assessment, which is continually monitored and reported on for the duration of the project.</p>	<p>As stated in section 2 above, the business case produced by FMG initially identified 17 risks relating to the delivery of the project. An ongoing risk log is maintained, which includes details of the risk ownership, scoring and mitigation required. Risks are reviewed at the operational Project Group meetings and are added to/removed from the risk log as appropriate.</p>	<p>N/A</p>
<p>7. Budgets are subject to regular, detailed monitoring.</p>	<p>Budgets are monitored at the monthly internal project group meetings, which have Finance representation from the Head of Finance and Assets or the Chief Technical Accountant. Any changes or additional expenditure that may affect the overall budget are discussed at these meetings. The project is also subject to the Council's standard capital budget monitoring processes: the responsible manager receives a budget report of expenditure against budget on a monthly basis, which shows a detailed breakdown of all the expenditure that has been incurred to date and the remaining</p>	<p>N/A</p>

Controls/Areas	Observations	Suggested Actions/Improvements
	<p>budget for the project.</p> <p>The Splash project is currently on budget, based on the revised budget approved in July 2019. The current position with funding is that the £0.75m receipt for development land remains uncertain, and the report to Full Council in July 2019 recommended that any shortfall in this amount be made up from capital receipts, reserves or borrowing as required.</p>	
<p>8. Risks and performance measures/milestones are subject to regular update and review including by SLT and members.</p>	<p>As stated in section 3, the governance arrangements for the project have recently been revised. Monthly updates on the project are now provided to members through Overview and Scrutiny Committee and Cabinet, with the first of these updates in October 2019. This included the forecast position, current position and narrative against each of several strands: time, budget, issues log, risk log, project governance and communications.</p> <p>Updates are provided to Strategic Leadership Team (SLT) as part of the monthly project update.</p>	<p>N/A</p>

APPENDIX 1 - AUDIT TIMETABLE

1. The table below sets out the history of this report.

	Expected Date:	Actual Date:
Start of Fieldwork:	23rd October 2019	23rd October 2019
Debrief Meeting:	8th November 2019	6th November 2019
End of Fieldwork:	15th November 2019	15th November 2019
Draft Report Issued:	22nd November 2019	29th November 2019*
Final Report Issued:	5th December 2019	4th February 2020**

*Slight delay due to internal review process.

**Delay in receipt of management responses.

APPENDIX 2 - ACKNOWLEDGEMENTS

2. We would like to thank staff at North Norfolk District Council for their co-operation and assistance during the course of our work, in particular:
- Rob Young, Head of Economic & Community Development
 - Duncan Ellis, Head of Finance and Asset Management
 - Kate Rawlings, Projects and Programme Manager

APPENDIX 3 - DISCLAIMER

3. The matters raised in this report are only those that came to the attention of the auditor during the course of the internal audit review and are not necessarily a comprehensive statement of all the weaknesses that exist or all the improvements that might be made. This report has been prepared solely for management's use and must not be recited or referred to in whole or in part to third parties without our prior written consent. No responsibility to any third party is accepted as the report has not been prepared, and is not intended, for any other purpose. TIAA neither owes nor accepts any duty of care to any other party who may receive this report and specifically disclaims any liability for loss, damage or expense of whatsoever nature, which is caused by their reliance on our report.

GOVERNANCE, RISK & AUDIT COMMITTEE ON 16th JUNE 2020 - ACTIONS ARISING FROM THE MINUTES

Minute No.	Agenda item and action	Action By
7	PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY:	
	<p>RESOLVED</p> <p>To note the outcomes of the assurance audit completed between 13th March 2020 and 4th June 2020.</p>	N/A
8	FOLLOW-UP ON INTERNAL AUDIT RECOMMENDATIONS 1 APRIL TO 21 NOVEMBER 2019	
	<p>RESOLVED</p> <p>1. That the outstanding recommendations be placed on the agenda for SLT to review and implement the recommendations as soon as possible.</p> <p>2. To note the report.</p>	SLT
9	ANNUAL REPORT AND OPINION 2019/20	
	<p>RESOLVED</p> <p>1. To receive and consider the contents of the Annual Report and Opinion of the Head of Internal Audit.</p> <p>2. To note that a reasonable audit opinion has been given in relation to the framework of governance, risk management and control for the year ended 31 March 2020.</p> <p>3. To Note that the opinions expressed together with significant matters arising from internal audit work and contained within this report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2019/20.</p> <p>4. To note the conclusions of the Review of the Effectiveness of Internal Audit.</p>	GRAC
10	RISK MANAGEMENT POLICY/Framework AND CORPORATE RISK REGISTERS	
	<p>RESOLVED</p> <p>1. To note and adopt the Risk Management Policy and Framework</p> <p>2. To note the Risk Registers.</p>	GRAC

	3. To recommend to the responsible officer that additional lines be added to the corporate risk register, to address systemic issues caused by optimism bias, and business and project planning/analysis.	Head of Finance & Asset Management
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GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2020/2021

Date/Meeting	Item	Lead Officer	Additional Comments	Cycle
16th June 2020				
	Progress report on Internal Audit Activity	Internal Auditors – Faye Haywood	Not for discussion	Quarterly
	Follow up on Internal Audit Recommendations	Internal Auditors – Faye Haywood	Not for discussion	Six Monthly
	Annual Report/Opinion & Review of the Effectiveness of Internal Audit	Internal Auditors – Faye Haywood		Annual
	Risk Management Policy/Framework & corporate risk registers	Head of Finance & Asset Management – Duncan Ellis	To review the corporate risk register in relation to Covid-19	Quarterly
4th August 2020				
	Monitoring Officer's Report	Monitoring Officer – Emma Duncan		Annual
	Revised Strategic and Annual Audit Plans	Internal Auditors – Faye Haywood		Annual
	NNDC Counter Fraud, Corruption and Bribery Strategy	Internal Auditors – Faye Haywood	Due for review	3 year cycle
	Egmere Audit Report	Internal Auditors – Faye Haywood	Requested by Committee	
	Sheringham Leisure Centre Audit Report	Internal Auditors – Faye Haywood	Requested by Committee	
	Confidential Investigation – Follow-up Report	Head of IT & Digital Transformation – Sean Kelly		
29th Sept 2020				
	Draft Statement of Accounts	Chief Technical Accountant – Lucy Hume		TBC
	EY Annual Audit Letter	External Auditors - EY		Annual
	Progress Report on Internal Audit Activity	Internal Auditors – Faye Haywood		Quarterly
	Corporate Risk Register	Head of Finance & Asset Management – Duncan Ellis	To review the corporate risk register	Quarterly
	Audit Results Report	External Auditors - EY		Annual TBC
	Letter of Representation	Head of Finance & Asset Management – Duncan Ellis		Annual
	Corporate Risk Register	Head of Finance & Asset Management – Duncan Ellis		TBC
	Annual Governance Statement 2019/20 & Local Code of Corporate Governance	Head of Finance & Asset Management – Duncan Ellis		Annual

GOVERNANCE, RISK & AUDIT COMMITTEE – ANNUAL WORK PROGRAMME 2020/2021

	Sign-off Annual Accounts	Chief Technical Accountant – Lucy Hume	To sign off accounts delayed from 2019/20	Annual
8th Dec 2020				
	Final Statement of Accounts	Lucy Hume – Chief Technical Accountant		Annual TBC
	Corporate Risk Register	Head of Finance & Asset Management – Duncan Ellis		Quarterly
	Progress Report on Internal Audit Activity	Internal Auditors – Faye Haywood		Quarterly TBC
	Follow Up Report on Internal Audit Recommendations	Internal Auditors – Faye Haywood	To include update on historical recommendations	Six Monthly
2021	Anti-money laundering policy	Internal Auditors – Faye Haywood		3 years – Due 2021
	Civil Contingencies Update	Resilience Manager – Alison Sayer		Annual
9th March 2021				
	EY External Audit Plan (with overview) Annual Grant Certification Report	External Auditors - EY		Annual
	Progress Report on Internal Audit Activity	Internal Auditors – Faye Haywood		Quarterly
	Undertake self-assessment	Internal Auditors – Faye Haywood		Annual
	Strategic and Annual Audit Plans	Internal Auditors – Faye Haywood		Annual
	Corporate Risk Register	Head of Finance & Asset Management – Duncan Ellis	To review the corporate risk register	Quarterly
	Risk Management Framework	Head of Finance & Asset Management – Duncan Ellis	To review the Council's risk management framework	Annual

Page 84

To be Confirmed/Arranged				
2020	EY External Audit Plan (w/ overview) Annual Grant Certification Report	External Auditors - EY		Annual
2020	GRAC Annual Report	Committee Officer – Matt Stembrowicz		Annual TBC
2020	Egmere & Splash Audit Reports	Internal Auditors – Faye Haywood	To review the Egmere and Splash projects	Requested by Committee
2020				

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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