

Governance, Risk and Audit Committee



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November 2017

A meeting of the **Governance, Risk and Audit Committee** of North Norfolk District Council will be held in the **Committee Room** at the Council Offices, Holt Road, Cromer on **Tuesday 05 December 2017 at 2.00 pm**

Members of the public who wish to ask a question or speak on an agenda item are requested to arrive at least 15 minutes before the start of the meeting. It will not always be possible to accommodate requests after that time. 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: democraticservices@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.

Emma Denny
Democratic Services Manager

To: Mr D Baker, Mr V FitzPatrick, Ms V Gay, Mr M Knowles, Mr J Rest and Mr D Young

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

Heads of Service: Nick Baker and Steve Blatch
Tel 01263 513811 **Fax** 01263 515042 **Minicom** 01263 516005
Email districtcouncil@north-norfolk.gov.uk **Web site** northnorfolk.org

A G E N D A

1. TO RECEIVE APOLOGIES FOR ABSENCE

2. PUBLIC QUESTIONS

To receive public questions, if any.

3. 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.

4. 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.

5. MINUTES

(page 4)

To approve as a correct record, the minutes of the meeting of the Governance, Risk & Audit Committee held on 05 September 2017.

6. GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

(page 10)

To monitor progress on items requiring action from the meeting of 05 September 2017, including progress on implementation of audit recommendations

7. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

(page 11)

To review the Governance, Risk and Audit Committee Work Programme.

8. ERNST & YOUNG ANNUAL AUDIT LETTER

(page 12)

To receive the Annual Audit Letter from the External Auditors Ernst & Young

9. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY 01 APRIL TO 01 AUGUST 2017

(page 38)

(Appendix 1 – p.42) (Appendix 2 - p.44) (Appendix 3 – p.66)

This report examines the progress made between 2 August and 22 November 2017 in relation to delivery of the Annual Internal Audit Plan for 2017/18.

Cabinet member(s): All Ward(s) affected: All

Contact Officer, telephone number, and e-mail:
Emma Hodds, Head of Internal Audit for North Norfolk DC
01508 533791, ehodds@s-norfolk.gov.uk

10. FOLLOW-UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS (page 67)
(Appendix 1 – p 71) (Appendix 2 – p72) (Appendix 3 – p75) (Appendix 4 – p76)
(Appendix 5 – p77) (Appendix 6 – p78)

This report provides an overview of progress made in implementing agreed audit recommendations due for completion between 1 April 2017 and 31 October 2017.

Contact Officer, telephone number, and e-mail:
Emma Hodds, Head of Internal Audit for North Norfolk DC
01508 533791, ehodds@s-norfolk.gov.uk

11. AUDIT COMMITTEE TERMS OF REFERENCE (page 80)
(Appendix A – p82) (Appendix B – p83)

Summary: To approve the updated terms of reference for the Committee in line with best practice.

Conclusions: The terms of reference of the Committee have been reviewed to ensure that best practice is followed and that the Committee has the authority to make the required decisions delegated to it.

Recommendations: That the Committee note the proposed purpose and terms of reference for the Governance, Risk and Audit Committee and that these are put forward to Full Council for approval and formal adoption, subject to any amendments.

Reasons for Recommendations: The terms of reference of the Committee have been reviewed to ensure that best practice is followed.

Cabinet member(s): All Ward(s) affected: All

Contact Officer, telephone number, and e-mail:
Emma Hodds, Head of Internal Audit for North Norfolk DC
01508 533791, ehodds@s-norfolk.gov.uk

15. 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 of Part I of Schedule 12A (as amended) to the Act.”

GOVERNANCE, RISK & AUDIT COMMITTEE

Minutes of a meeting of the Governance Risk & Audit Committee held on Tuesday 05 September 2017 in the Committee Room, Council Offices, Holt Road, Cromer at 2.00 pm.

Members Present:

Committee:	Mr D Baker	Mr M Knowles
	Mr V FitzPatrick (Chairman)	Mr N Pearce
	Ms V Gay	Mr D Young

Other

Members: Mrs S Butikofer

Officers in

Attendance: The Head of Finance & Assets, the Executive Director, Ernst & Young LLP, the External Audit Manager, the Internal Audit Consortium Manager, the Chief Technical Accountant and the Democratic Services Officer.

15. APOLOGIES

None received.

16. PUBLIC QUESTIONS

None received.

17. ITEMS OF URGENT BUSINESS

None

18. DECLARATIONS OF INTEREST

None

19. MINUTES

The Minutes of the meeting of the Governance, Risk & Audit Committee held on 06 June 2017 were approved as a correct record and signed by the Chairman.

20. AUDIT RESULTS REPORT

The Executive Director, Ernst Young LLP reported that – subject to concluding outstanding matters listed in the report – it was expected to issue an unqualified (good) audit opinion on the financial statements before the statutory deadline of 30 September 2017. There were no matters to report on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. It was a good, positive report. The audit process had been facilitated by a good set of draft accounts received from the Council.

Outstanding items concerning bank transactions had been followed up and no issues had been discovered.

Questions and Discussion:

- a) Risk of fraud in revenue recognition: assurance was gained against risks and there was nothing of concern.
- b) Risk of management override: there were no uncorrected errors.
- c) There were only 3 risks of significance.
- d) In response to a question from Mr D Young regarding debtors in Benefits, it was explained that this was a reference to developers with no conditions and nothing to pay. These had been netted off.
- e) An unqualified audit could be issued on the final accounts. All information was received via standard processes.
- f) There were no signpost risks regarding Value for Money. Adequate arrangements were in place.
- g) In response to a question from Ms V Gay, it was explained that changes in the process had been driven by the necessity of transparency of reporting by large organisations.
- h) Ms V Gay, referring to the fact that there were no matters to report on the information presented in the Annual Governance Statement, congratulated the Head of Finance & Assets and his team. This was endorsed by the Governance, Risk and Audit Committee.

RESOLVED

to receive the Audit Results Report.

21. 2016/17 STATEMENT OF ACCOUNTS

This report presented the Statement of Accounts for 2016/17 for review by the Governance, Risk and Audit Committee prior to recommendation to Full Council for approval. The outturn position had been reported to Members in June and had been used to inform the production of the statutory annual accounts for 2016/17.

The Statement of Accounts for 2016/17 had been produced in accordance with the Code of Practice on Local Authority Accounting. The draft accounts were produced by 31 May (against a deadline of 30 June) and since then had been subject to external audit review. Recommendations:

Members were asked to consider and review the Statement of Accounts for 2016/17 and recommend their approval to Full Council.

The Head of Finance and Assets thanked the external Audit Team. A good working relationship had been built with them. This had helped with the preparation of the working papers. He also thanked the Chief Technical Accountant and the Group Accountants and Finance team for their work. The Finance team had managed to deliver the accounts already by next year's earlier deadline of 31 May. This should encourage the Committee. Next year's Audit had to be signed off by the end of July and the Committee would decide later in the agenda if they would hold an extra meeting for this purpose.

There had been minimal changes within the accounts compared to the previous years in terms of reporting requirements. The main change in terms of the actual accounts was the introduction of the new Expenditure and Funding Analysis (EFA) note. This had been positioned at the start of the accounts with the main financial statements as it provided a link between the overall accounts position and the outturn report.

The accounts themselves followed on from the Officer's report. Work was being carried out by CIPFA and other bodies to make it easier for people with no financial background to read accounts. There was also discussion with the auditors about whether some non-material information needed to be included.

Questions and Discussion:

- a) Capital financing costs: in response to a question from the Chairman it was explained that it was possible to get slippage for schemes, e.g. coast protection work that took several years. This would be carried forward to another year.
- b) The Chairman asked a question about reserves: the Head of Finance & Assets explained that the reserves included a housing grant just received. The Council was in a strong position regarding reserves. It was not sustainable to use reserves to support budgets in the medium to long term as these were only available as "one off" funding and once they were spent they were gone. If the reserve was too high or too low it would be subject to comment from the auditor.
- c) Responding to a question from Mr D Young, the Head of Finance & Assets said that capital receipts could only be used to finance the capital programme. They could not be used for revenue budgets.
- d) Business Rates and renewable energy: in response to a further question from Mr Young it was explained that this was not something that the Council could control and depended on approval of appropriate qualifying schemes which attracted 100% retention under the current rules.
- e) Mr Young also asked a question about gross income: the Head of Finance and Assets would check the position regarding Legal and Democratic Services and report back to Members.
- f) Compensation for loss of office: this referred to a payment made to the former Chief Executive when she left the organisation as a payment in lieu of notice. The note headings were prescriptive and this was considered by the finance team and the auditors to be the most appropriate heading under which to place the payment.
- g) Embedded leases (Mr D Young): if a contract ended early the embedded lease would be written off. Such items were shown in the accounts in the interests of transparency. Next year they would be on the balance sheet and shown as our asset.
- h) Housing Stock Transfer (Mr D Young): as part of the legal agreements associated with the transfer the Authority provided a number of warranties, guarantees and indemnities to Victory Housing Trust. Risks associated had been assessed and the authority was in discussion with Victory to transfer some of them which were under annual review. The Council was in a strong position because of its reserves. The cost of the insurance was borne by Victory.
- i) Freehold reversions for 4 Shared Equity Dwellings off Roughton Road, Cromer (Mr D Young): this was a contingent asset and the Council wouldn't realise any capital unless the property was sold at some point in the future. The aim was to provide affordable housing rather than generating an income.
- j) Note 34: this should agree to the comment at the bottom of note 39 but there seemed to be a difference which the Head of Finance and Assets said he would investigate and report back to Members.
- k) Blank pages in the accounts would accommodate the audit opinion when it was received.

- l) Ms V Gay asked about unfunded benefits: it was explained that the Pension Fund was made up of contributions from employees. An unfunded benefit was the difference between what was needed and what was currently available within the pension fund in terms of assets/funding and what might potentially need to be paid out in the future.
- m) Income from Business Rates payers (Ms V Gay): the sum appeared relatively small but was in line with other councils of NNDC's size and demographics.
- n) In response to a question from Mr M Knowles it was explained some pensions were unfunded but local government made contributions.
- o) Pension scheme figures: the Head of Finance and Assets would check the Actuary's note and report to Members.

RESOLVED

that, having considered and reviewed the Statement of Accounts for 2016/17, the Committee recommends their approval to Full Council.

22. LETTER OF REPRESENTATION

The Letter of Representation was provided by the Head of Finance & Assets in connection with the audit of the financial statements for the year ended 31 March 2017.

RESOLVED

to receive the Letter of Representation.

23. GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE AND ACTION LIST

The Committee reviewed and updated the Action List:

- a) To provide an update on the Committee for Full Council: the Chairman would attempt to do this within the next 4 weeks.
- b) Business Continuity had been removed from the Work Programme.
- c) The Statement of Accounts had been moved forward to June 2018.
- d) The scheduling of an additional meeting and the review of the Whistle Blowing and Fraud Corruption policy would be taken later in the meeting.

24. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME AND SCHEDULING OF EXTRA MEETING

The Committee reviewed and updated the Work Programme:

Scheduling of extra meeting for July 2018: in the past the statement of accounts had gone to Full Council with a recommendation from the Governance, Risk and Audit Committee. However, NNDC was now in the minority of councils who approved the accounts at Full Council. It was suggested that the Governance, Risk and Audit Committee's Terms of Reference should be reviewed and amended so that the Committee could approve the accounts without reference to Full Council. This would enable the accounts to be signed off by next year's deadline, 31 July 2018. To meet this new deadline, many councils were scheduling a dedicated meeting with only the accounts, the Audit Results report and the Letter of Representation on the agenda. If Members agreed to an extra meeting, it would need to be in the week 23 – 27 July. All Members would be encouraged to attend.

The Internal Audit Consortium Manager would review the Committee's Terms of Reference for discussion and agreement at the December meeting. The amended Terms would then go to Full Council for approval, and thence into the Constitution.

RESOLVED

- 1. To hold an extra meeting of the Governance, Risk and Audit Committee in the week 23 – 27 July 2018.**
- 2. To discuss the Committee's Terms of Reference at the December 2017 meeting.**

25. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY 01 APRIL TO 01 AUGUST 2017

The report was issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity and included:

- Any significant changes to the approved Audit Plan;
- Progress made in delivering the agreed audits for the year;
- Any significant outcomes arising from those audits; and
- Performance Measure outcomes to date.

The final reports issued were summarised:

- Performance Management, Corporate Policy and Business Planning
- Building Control: a further audit would be undertaken in a few years' time to ensure that the service was moving forward.
- Land Charges
- Disaster Recovery

Ms V Gay said that she was pleased to see that there were no urgent recommendations.

Mr D Young, referring to an incident in early summer when the telephony and computer systems had gone down, asked if such occurrences could be addressed. He was informed that there was a procedure for transferring everything to Fakenham. However, on that occasion it had not been considered appropriate to follow this course of action.

RESOLVED

To note the report.

26. COUNTER FRAUD, CORRUPTION AND BRIBERY STRATEGY AND WHISTLEBLOWING POLICY

The Counter Fraud, Corruption and Bribery Strategy and Whistleblowing Policy had been updated in line with best practice and relevant legislation and had come to the Committee for approval. This was the over-arching strategy for the Council and other policies sat under it. Both policies had been seen by Corporate Leadership Team and the Monitoring Officer.

A copy of the Whistleblowing policy with tracked changes had been provided so that Members could see the amendments made to the document.

Anti-money laundering policy: new legislation was introduced in July. The Internal Audit Consortium Manager was seeking an interpretation from Eastlaw and would bring the policy to the Committee in December.

The Chairman thanked the Internal Audit Consortium Manager for her work on the policies which were very important to the Council.

Questions and discussion:

- a) Confidentiality: Ms V Gay observed that whistleblowing was more difficult in practice than it was on paper. Anonymous allegations were particularly difficult. The Internal Audit Consortium Manager explained that the policy had been written in such a way as to discourage anonymous allegations.
- b) The involvement of Councillors: Ms Gay expressed concern that councillors might generally be unaware of allegations. The Internal Audit Consortium Manager said that whistleblowing allegations were brought to the Governance, Risk and Audit Committee with a summary of the case and a recommendation regarding the actions to be taken. Ms Gay asked that Members should receive a full copy of the report to enable them to make a wise decision.
- c) In response to a question from Mr D Young, it was explained that Housing and Council Tax Benefit fraud was dealt with differently because it was investigated by DWP.

RESOLVED

to approve and agree the Counter Fraud, Corruption and Bribery Strategy and Whistleblowing Policy.

27. CORPORATE RISK REGISTER

There was uncertainty regarding localisation of Business Rates. This was making it difficult to forecast for the next 2 to 3 years. Otherwise, nothing new had been specifically added to the Register.

The Chairman said that he was pleased to see that Digital Transformation was going ahead and that it had seemed to improve.

RESOLVED

To receive the Corporate Risk Register.

28. SCHEDULING OF FUTURE MEETINGS

See Minute 24.

The meeting closed at 15.40 pm

Chairman

GOVERNANCE, RISK & AUDIT COMMITTEE ON 05 SEPTEMBER 2017

ACTIONS ARISING FROM THE MINUTES

Minute No.	Agenda item and action	Action By
23.	Governance, Risk & Audit Update and Action List	
	To provide an update on the Committee for Full Council.	Vincent FitzPatrick
24.	Governance, Risk & Audit Work Programme and scheduling of another meeting	
	To schedule an additional meeting in July 2018 to review the Annual Governance Report, Audit Results Report and Final Accounts	Democratic Services
	Review of TOR	Emma Hodds

GOVERNANCE, RISK & AUDIT COMMITTEE WORK PROGRAMME 2017 - 2018

DECEMBER 2017	MARCH 2018	JUNE 2018	JULY 2018	SEPTEMBER 2018
EY Annual Audit Letter	EY Audit Plan (with overview) Annual Grant Certification Report from EY			
Progress Report on Internal Audit Activity	Progress Report on Internal Audit Activity	Progress report on Internal Audit Activity		Progress Report on Internal Audit Activity
Follow Up Report on Internal Audit Recommendations (to include update on historical recommendations)	Undertake self-assessment	Follow up on Internal Audit Recommendations (to include update on historical recommendations)		
Anti-money laundering policy				
Audit Committee Terms of Reference	Strategic and Annual Audit Plans	Annual Report and Opinion and Review of the Effectiveness of Internal Audit		
	Corporate Risk Register	Monitoring Officer's Report	Statement of Accounts	Corporate Risk Register
	Risk Management Framework	Annual Governance Statement	Letter of Representation	

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North Norfolk District Council

Annual Audit Letter for the year ended 31 March 2017

October 2017

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Public Sector Audit Appointments Ltd (PSAA) have issued a "Statement of responsibilities of auditors and audited bodies". It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

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

The "Terms of Appointment (updated 23 February 2017)" issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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

A hand with white nail polish is writing on a document with a blue pen. In the background, there is a calculator, a laptop, and a white mug. A yellow rectangular box is overlaid on the left side of the image.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to North Norfolk District Council (the Council) following completion of our audit procedures for the year ended 31 March 2017.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified - the financial statements give a true and fair view of the financial position of the Council as at 31 March 2017 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Statement of Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Annual Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 18 August 2017.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 21 September 2017.

In December 2017 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Mark Hodgson

Executive Director
For and on behalf of Ernst & Young LLP

Purpose



Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2016/17 Audit Results Report to the 5 September 2017 Audit Committee, and Full Council representing those charged with governance for the purpose of approving the Statement of Accounts. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.



Responsibilities

Responsibilities

Responsibilities of the Appointed Auditor

Our 2016/17 audit work has been undertaken in accordance with the Audit Plan that we issued on 28 March 2017 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2016/17 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement (AGS). In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

A blurred office background featuring a laptop, several glasses of water, and financial documents on a desk. A yellow rectangular box is overlaid on the left side of the image, containing the text 'Financial Statement Audit'.

Financial Statement Audit

Financial Statement Audit

Key Issues

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

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 21 September 2017.

Our detailed findings were reported to the 5 September 2017 Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We did not identify any material weaknesses in controls or evidence of material management override.</p> <p>We did not identify any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>

Risk of fraud in revenue recognition

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.

In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have not identified any material weaknesses in the recognition of revenue.
We have not identified any instances of inappropriate judgements or estimates being applied.

Other Key Findings**Conclusion****Presentation of the financial statements**

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code) changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement, and include the introduction of a new Expenditure and Funding Analysis note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with Service Reporting Code of Practice. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis.

We proposed some minor disclosure amendments that management agreed to make in the financial statements.

In particular, we noted that the Expenditure & Funding Analysis (EFA), although positioned amongst them, is not a Primary Statement (consistent with the Code Guidance Notes). As such an additional narrative paragraph was added to the EFA to reflect this.

There were no other matters to report.

Other Key Findings (continued)	Conclusion
<p>Property, plant and equipment valuations</p> <p>Fixed Assets (Property, Plant and Equipment and Investment Properties) represent the largest asset value on the Council's balance sheet. PPE is initially measured at cost and then revalued to fair value (determined by the amount that would be paid for the asset in its existing use) on a 5 year rolling basis.</p> <p>This is carried out by an expert valuer and is based on a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment.</p>	<p>Following full consideration of their work, we placed reliance on the Council's valuer.</p> <p>We did not identify any material issues in relation to the valuations.</p>

Other Key Findings (continued)	Conclusion
<p>Pensions valuations and disclosures</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.</p> <p>The information disclosed is based on the IAS19 report issued to the Council by the actuaries to the Norfolk Pension Fund.</p> <p>As part of their actuarial review, councils are being asked to make additional payments to the pensions scheme to fund deficits.</p>	<p>Assumptions used by the actuary and adopted by the Council are considered to be generally acceptable.</p> <p>The sensitivities surrounding these assumptions have been correctly disclosed in Note 4 to the financial statements.</p> <p>No issues were identified in completing our work.</p>

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £1.07 million, which is 2% of gross revenue expenditure on services reported in the accounts of £ 53.518 million. We consider gross revenue expenditure on services to be one of the principal considerations for stakeholders in assessing the financial performance of the Council.
Reporting threshold	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £53,751.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- Remuneration disclosures - reduced materiality level of £5,000 applied in line with bandings disclosed.
- Related party transactions, members' allowances and exit packages - reduced materiality level applied equal to the reporting threshold.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations.

A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with the edges of several coins visible. The lighting is warm, highlighting the metallic texture and the embossed details on the coins. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Value for Money'.

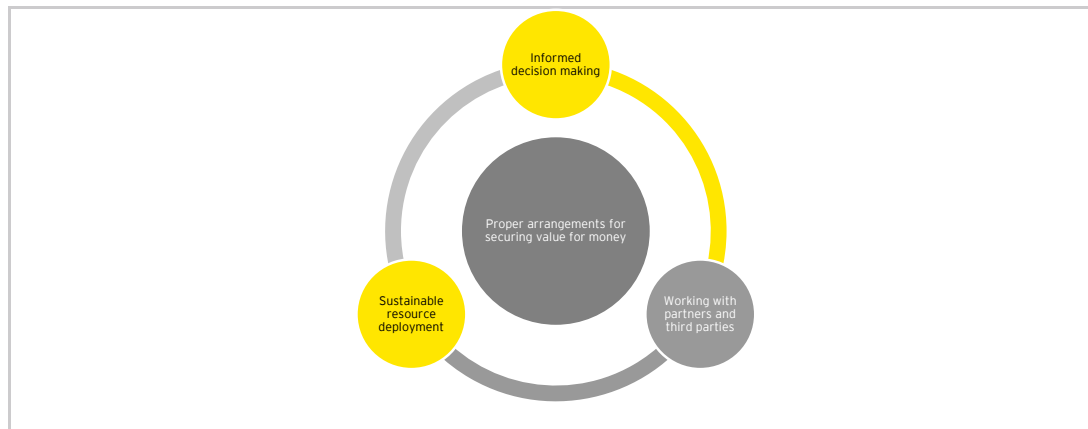
Value for Money

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

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

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



We did not identify any significant risks around these criteria.

Having completed our work, we do not have any matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.

We therefore issued an unqualified value for money conclusion on 21 September 2017.



Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

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

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2016/17 financial statements from member of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on the 5 September 2017. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Audit Committee.

A close-up photograph of a person's hands holding binoculars to their eyes. The person's face is visible in the background, looking through the lenses. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Focused on your future".

Focused on your
future

Focused on your future

Area	Issue	Impact
<p><i>Earlier deadline for production and audit of the financial statements from 2017/18</i></p>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>To prepare for this change the Council has reviewed and amended the closedown process to achieve draft accounts production by early June for 2016/17.</p> <p>We will work with the Council to engage early, following the completion of the 2016/17 audit, to facilitate early substantive testing for 2017/18 and also to consider steps the Council can take, for example:</p> <ul style="list-style-type: none"> ▶ Streamlining the Statement of Accounts removing all non-material disclosure notes; ▶ Bringing forward the commissioning and production of key externally provided information such as IAS 19 pension information, asset valuations; ▶ Providing training to departmental finance staff regarding the requirements and implications of earlier closedown; ▶ Re-ordering tasks from year-end to monthly/quarterly timing, reducing year-end pressure; ▶ Establishing and agreeing working materiality amounts with the auditors.

Appendix A

Audit Fees



Appendix A Audit Fees

Our fee for 2016/17 is in line with the scale fee set by the Public Sector Audit Appointments Ltd (PSAA) and reported in our September 2017 Audit Results Report.

Description	Final Fee 2016/17 £'s	Planned Fee 2016/17 £'s	Scale Fee 2016/17 £'s	Final Fee 2015/16 £'s
Total Audit Fee - Code work	54,113	54,113	54,113	54,113
Total Audit Fee - Certification of claims and returns	TBC - Note 1	26,610	26,610	26,390

Note 1 - Our planned fee for the certification of claims and returns is based on the indicative scale fee set by the PSAA. The final fee will be reported to you in our annual certification report, upon completion of this work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

EY | Assurance | Tax | Transactions | Advisory

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ED None

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Eastern Internal Audit Services



NORTH NORFOLK DISTRICT COUNCIL

Progress Report on Internal Audit Activity

Period Covered: 2 August to 22 November 2017

Responsible Officer: Emma Hodds – Head of Internal Audit for North Norfolk DC

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1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes: -
 - Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from those audits; and
 - Performance Measure outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 28 March 2017, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Since then, there have been no significant changes to that plan.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1** and progress to date is in line with expectations.
- 3.2 In summary 118 days of programmed work has been completed, equating to 61% of the Internal Audit Plan for 2017/18.

4. THE OUTCOMES ARISING FROM OUR WORK

- 4.1 On completion of each individual audit an assurance level is awarded using the following definitions:

Substantial Assurance: Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being consistently applied.

Reasonable Assurance: Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.

Limited Assurance: Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.

No Assurance: Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

4.2 Recommendations made on completion of audit work are prioritised using the following definitions:

Urgent (priority one): Fundamental control issue on which action to implement should be taken within 1 month.

Important (priority two): Control issue on which action to implement should be taken within 3 months.

Needs attention (priority three): Control issue on which action to implement should be taken within 6 months.

4.3 In addition, on completion of audit work “Operational Effectiveness Matters” are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.

4.4 During the period covered by the report Internal Audit Services have issued six final reports:

Audit	Assurance	P1	P2	P3
Accountancy Services	Substantial	0	0	0
Environmental Health	Reasonable	0	2	1
Car Parking	Reasonable	0	2	3
Income	Substantial	0	0	1
Beach Huts	Substantial	0	0	3
CIVICA Revenues and Benefits Application	Substantial	0	0	1

The Executive Summary of these reports are attached at **Appendix 2**, full copies of these reports can be requested by Members.

4.5 As can be seen in the table above as a result of these audits 13 recommendations have been raised, all of which have been agreed by management

In addition four Operational Effectiveness Matters have been proposed to management for consideration.

4.6 It is particularly encouraging to note that all audits concluded in a positive opinion being awarded, with four of these being substantial This indicates a strong and stable control environment to date, with no issues that would need to be considered at year end and included in the Annual Governance Statement.

5. PERFORMANCE MEASURES

5.1 The new Internal Audit Services contract includes a suite of key performance measures against which the new contractor will be reviewed on a quarterly basis. There are a total of 11 indicators, over four areas. The performance measures can be seen at **Appendix 3**.

5.2 There are individual requirements for performance in relation to each measure; however performance will be assessed on an overall basis as follows:

- 9-11 KPIs have met target = Green Status.
- 5-8 KPIs have met target = Amber Status.
- 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed by the contractor and agreed with the Internal Audit Consortium Manager to ensure that appropriate action is taken.

5.3 The two quarters work has been completed and a report on the performance measures provided, performance is currently at green status with targets having been satisfactorily met for this quarter.

5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track. A review of the most recent update indicates that delivery of the internal audit plan for North Norfolk DC is on track.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK


Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Quarter 1											
Performance Management, Corporate Policy & Business Planning	NN1801	10	10	10	Final Report issued 13 June 2017	Substantial	0	0	3	0	5th September 2017
Building Control	NN1802	7	7	7	Final Report issued 13 June 2017	Substantial	0	0	0	0	5th September 2017
Land Charges	NN1803	7	7	7	Final Report issued 13 June 2017	Reasonable	0	2	2	0	5th September 2017
TOTAL		24	24	24							
Quarter 2											
Accountancy Services	NN1805	16	16	16	Final Report issued 29 August 2017	Substantial	0	0	0	1	5th December 2017
Cross Authority Review HR & Payroll	NN1806	6	6	5	Draft Report issued 13 October 2017						
Environmental Health	NN1807	12	12	12	Final Report issued 4 October 2017	Reasonable	0	2	1	1	5th December 2017
Car Parking	NN1811	10	10	10	Final Report issued 9 November 2017	Reasonable	0	2	3	1	5th December 2017
Income	NN1810	7	7	7	Final Report issued 19 October 2017	Substantial	0	0	1	0	5th December 2017
Beach Huts	NN1812	8	8	8	Final Report issued 9 November 2017	Substantial	0	0	3	1	5th December 2017
TOTAL		59	59	58							
Quarter 3											
Accounts Receivable	NN1809	10	10	0	To start 8 December 2017						
TOTAL		10	10	0							
Quarter 4											
Risk Management	NN1814	6	6	0							
Key Controls & Assurance	NN1815	15	15	0							
Procurement	NN1816	10	10	0							
Waste Management	NN1817	15	15	0							
Development Management	NN1818	12	12	0							
TOTAL		58	58	0							

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
IT Audits											
Disaster Recovery inc Fakenham Site	NN1804	10	10	10	Final Report issued 5 June 2017	Reasonable	0	3	2	1	5th September 2017
Revenues & Benefits Application	NN1808	10	10	10	Final Report issued 10 October 2017	Substantial	0	0	1	0	5th December 2017
Contact Management System	NN1813	10	10	8	Audit underway						
TOTAL		30	30	28							
Follow Up											
Follow Up	NA	12	12	8							
TOTAL		12	12	8							
TOTAL		193	193	118			0	9	16	5	
Percentage of plan completed				61%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of Accountancy Services

Executive Summary

<p>OVERALL ASSURANCE ASSESSMENT</p> 	<p>ACTION POINTS</p> <table border="1" data-bbox="1187 566 1982 718"> <thead> <tr> <th>Control Area</th> <th>Urgent</th> <th>Important</th> <th>Needs Attention</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>Journal Entries</td> <td>0</td> <td>0</td> <td>0</td> <td>1</td> </tr> <tr> <td>Total</td> <td>0</td> <td>0</td> <td>0</td> <td>1</td> </tr> </tbody> </table> <p>No recommendations were made in the control areas stated below.</p>	Control Area	Urgent	Important	Needs Attention	Operational	Journal Entries	0	0	0	1	Total	0	0	0	1
Control Area	Urgent	Important	Needs Attention	Operational												
Journal Entries	0	0	0	1												
Total	0	0	0	1												
<p>SCOPE</p> <p>The audit scope includes control accounts, journal entries, banking, bank reconciliation, asset management / capital expenditure, budgetary control and treasury management. These key financial systems feed into the Statement of Accounts and requires regular review to confirm the adequacy and effectiveness of controls in these key areas.</p>																

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of no recommendations being raised upon the conclusion of our work.
- The audit has raised one 'operational effectiveness matter', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.
- This assurance opinion indicates that the overall level of control has improved since the previous audit of Accountancy Services in March 2016 (2015/16), which concluded in a 'Reasonable' assurance opinion.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

Treasury Management:

- The Treasury Management Strategy has been updated, approved by Full Council and available on the Council's website. This is supported by policies and procedures which enable the function to be carried out in line with the Strategy.
- The Council has an approved lending list in place which includes all the companies and institutions that can invest the Council's funds and investment advice is provided by an independent treasury management advisor. A review of the investments confirmed appropriate records were in place, which were approved by the authorised signatories.
- Treasury Management reconciliations are completed monthly and subject to independent check.

Budgetary Control

- A budget timetable existed for the 2017/18 budget process and was complied with resulting in Full Council approving the budget at its meeting in February 2017.
- Monthly budget reports were issued to all the budget holders, with these reviewed by the budget holders and assigned Accountant, on a monthly basis. This included ensuring that budget virements are appropriately managed.

Journal Entries

- Journals are processed and approved in line with written procedure, with postings agreed to the general ledger and the suspense account reconciled in a timely manner.

Control Accounts

- Sample testing of Sales Ledger, Purchase Ledger and Salaries control account reconciliations found that the reconciliations were prepared on time and subject to independent review.

Banking and Bank Reconciliation

- There is an up to date bank mandate in place for the Council's bank account and changes to the mandate are supported with copies mandate amendment letters sent to the bank.
- It was confirmed that bank reconciliations are completed in a timely manner; prepared within the first two weeks of the following month and are subject to independent review.

Assets

- Fifteen of the Council's assets were valued on 31st March 2016 by an independent Estates and Asset management company. Sample testing confirmed that the asset register had been updated to include the new values and the new values. The asset register accurately reflected revaluations and depreciations.

ISSUES TO BE ADDRESSED

Operational Effectiveness Matters

- Management should consider implementing a system of regular (e.g. quarterly or six monthly) review of user access rights since presently, these are checked on an ad hoc basis. The Group Accountant is responsible for adding new users to the efinancial system on receipt of completed and approved access forms, and removing users from the system on receipt of the list of leavers from the HR Department. System users are updated when notice is received of new users or staff leavers. Users on the efinancial system were reviewed by the Group Accountant in August 2016.

Previous audit recommendations

It was noted that one recommendation was made in the previous audit report which states that 'Bank reconciliations (Barclays income account) are prepared and independently reviewed in a timely manner following the end of each period'. Although the Council's main income account reconciliation was not tested as part of this review (as this will be covered in the Cash Income and Receipt Remittances audit), testing of the Rent Allowances and Flexible Interest-Bearing Current Account (FIBCA) account reconciliations confirmed that the accounts were reconciled and reviewed on a timely basis.

Other points to note

In relation to the control area for Asset Management, the Council had not acquired or disposed of any assets within the current financial year to date. This area will be revisited as part of the Key Controls and Assurance (NN/18/15) review scheduled in quarter three and will be tested if any activity has occurred.

Assurance Review of Environmental Health

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Licensing	0	2*	1**	1
Air Quality	0	0*	0**	0
Private Water Supplies	0	0*	0**	0
Noise Complaints	0	0*	0**	0
Total	0	2	1	1

*Includes one recommendation that also relates to Air quality, Private Water Supplies and Noise Complaints.

**Recommendation also relates to Air quality, Private Water Supplies and Noise Complaints.

SCOPE

The audit reviewed the systems and controls in place within Environmental Health, to confirm that these are operating adequately, effectively and efficiently.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with Environmental Health. The assurance opinion has been derived as a result of two 'important' and one 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has raised one 'operational effectiveness matter', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Up to date registers for all licences issued by the Council are available on the Council's website.
- Documents and information relating to all processed Licences, Permits and Noise complaints are maintained on worksheets on the M3 system.
- Nuisance/noise complaints are investigated, and addressed with feedback provided to the complainants.
- Complaints relating to potential licence breaches had been investigated and the cases were closed on conclusion of the investigation.
- Testing air quality permits noted that there are adequate processes in place to review applications with inspections completed prior to approving and issuing the permits.
- Licences and permits had been appropriately approved and were issued on receipt of the correct fees, which were accurately reflected in the general ledger.
- Private water supply risk assessments are followed up to ensure that risks are reduced as far as possible.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'important' recommendation has been made.

Licensing, Air Quality, Private Water Supplies and Noise Complaints

- There is a need to review and where applicable, update policy and procedural guidance so as to reduce the risk of non-compliance with statutory and non-statutory requirements and inconsistent / incorrect practices being applied.

Licensing

- To introduce a proactive approach of identifying all businesses operating within the district through liaison with other Council departments, including Planning and Revenue, where a licence is required, so as to reduce the risk of businesses operating illegally which may put members of the public at harm or the environment, through unregulated activities carried out by the businesses.

The audit has also highlighted the following areas where one 'needs attention' recommendation has been made.

Licensing, Air Quality, Private Water Supplies and Noise Complaints

- Access to the M3 system to only be granted on receipt of documented approval from a senior designated manager of the relevant department thereby reducing the risk of inappropriate access leading to misuse or loss of sensitive data.

Operational Effectiveness Matters

The Operational Effectiveness Matter relates to more regular completion of the cost analysis between the number and cost of licenses issued to income received, which is presently only completed annually.

Previous audit recommendations

A previous report on Environmental Health (NN/14/01) was issued in July 2013, which covered Local Authority Pollution Prevention and Control, assisted burials, food safety and private water supplies. The audit concluded with a Reasonable assurance, raising nine recommendations which have since been addressed by management.

Other issues of note

There is currently a backlog of risk assessments for private water supplies, including 19 that were due in 2016. This backlog arose due to a lack of resource within the team and other work being given a higher priority. Staffing levels within the team have now increased and the overdue risk assessments are being undertaken in conjunction with the programme of work for 2017, hence no recommendation has been raised.

Progress with the Business Process Review (BPR) and IT upgrades

Changes as a consequence of the BPR process and IT upgrades have been made with audit testing confirming that controls remain in place and have not been adversely impacted on. Further changes are ongoing with a scheduled completion date of March 2018.

Assurance Review of the Car Parking Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policy and procedures	0	0	1	0
Shared Service Arrangements	0	0	1	0
Enforcement	0	1	0	0
Cash Collection	0	1	1	1
Total	0	2	3	1

No recommendations have been raised in respect of appeals and season tickets.

SCOPE

Audit reviewed the systems and controls in place within Car Parking, to help confirm that these are operating adequately, effectively and efficiently. In particular, the review covered enforcement, cash collection, appeals, season tickets, and shared service arrangements with Kings Lynn & West Norfolk Borough Council.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of two 'important' and three 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised one 'operational effectiveness matter', which sets out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.
- This assurance opinion indicates that the overall level of control has not changed since the previous audit of Car Parking in 2015/16, which also concluded in a 'reasonable' assurance opinion. However, while the overall opinion has not changed, fewer 'important' recommendations have been raised, with an increase in 'needs attention' recommendations in this report than in the previous one.
-

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Good governance practices were found to be operating with issues discussed and action points noted to address these.
- Income controls and cash collection processes are operating for income received from Kings Lynn and West Norfolk Borough Council (KLWNBC) for Penalty Charge Notices (PCN), in line with the Service Level Agreement (SLA).
- Car parks income is regularly monitored by the Group Accountant through weekly, monthly and annual analysis, with variances and trends investigated.
- The responsibility for the operational aspect of parking enforcement, including the management of appeals from receipt to court proceedings, is attributed to KLWNBC, and operating in accordance with the SLA.
- Stocks of car parking season tickets are held in a safe, with the larger stock securely locked away.
- Application forms for car park season tickets are completed and retained with permit payments processed, in line with the stipulated fee.
- Monthly reconciliations are undertaken between tickets issued and payments received with any discrepancies identified and investigated.

- Parking charge increases are approved by Cabinet prior to the start of the financial year.
- Good governance practices were found to be operating with issues discussed and action points noted to address these.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where two 'important' recommendations have been made.

Enforcement

- KLWNBC is to provide a statement showing total income received by KLWNBC for payment of PCNs to be reconciled to those PCN's paid, due or cancelled within that month. This will reduce the risk of discrepancies, through fraud or error, not being identified leading to financial loss to the Council.

Cash Collection

- The issues with the Parkeon database is to be resolved with the provider, to ensure reconciliation between actual income collected from the machines and the record of income received on the database can be carried out by the Council. This will reduce the risk of misappropriation of cash and loss of income to the Council.

The audit has also highlighted the following areas where three 'needs attention' recommendations have been made.

Policy and procedures

- The Off-Street Car Parking Operating Guidelines are to be updated to reflect current practices, to reduce the risk of having conflicting procedures in place for the management of car parks.

Shared Service Arrangements

- The SLA between the NNDC and KLWNBC is to be signed to evidence consent to the terms and conditions of the agreement by each party. This will reduce the risk of having inconsistencies in the delivery of the service and ensure both parties can be held accountable to the terms of the contract.

Cash Collection

- The banking amount discrepancies identified between the amounts on the KLWNBC monthly cash return spreadsheet and the actual amount in the Council bank statement is to be rectified. This will reduce the risk of having the value of discrepancies increasing over time, resulting in NNDC not receiving all income collected by KLWNBC.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

- The Council to consider setting measureable performance targets for KLWNBC to help with monitoring of the timeliness for the production of reports and invoices as per the SLA.

Previous audit recommendations

The audit reviewed the previous internal audit recommendations, of which one remains outstanding, regarding KL&WNBC providing the Council with a breakdown of customers paying PCNs at the discounted rate for payment within 14 days and those paying the increased rate having paid after 14 days, and payments not received or cancelled within the month. This was discussed with management and has been superseded by the recommendation raised within this audit (Recommendation 1), the control issues are still present but the recommendations have been expanded and modified to reflect the testing results and current situation.

Assurance Review of Income

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Payment guidance	0	0	1	0
Total	0	0	1	0

No recommendations have been raised in respect of physical security, receipting, income, banking or reconciling income.

SCOPE

These key financial systems feed into the Statement of Accounts and require regular review to confirm the adequacy and effectiveness of controls in these key areas.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'needs attention' recommendation being raised upon the conclusion of our work.
- The previous audit of Income (NN/16/07) also concluded in a 'Substantial' assurance opinion. Three 'needs attention' recommendations and one 'operational effectiveness matter' were raised in that report, compared with one 'needs attention' recommendation in this report, indicating a positive direction of travel.
- The previous key controls audit (NN/17/10) also concluded in a 'Substantial' assurance opinion. One 'needs attention' recommendation was raised in relation to cash income and receipt.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Access to the cash receipting and income management applications is restricted to authorised personnel.
- The Council has an up to date insurance policy covering cash and cheques on the Council's premises.
- Post is opened by two members of staff and this is recorded on a register, with access to the post room restricted and cheques held securely until the department authorises them to be processed Cash and cheques are banked daily, with evidence retained of the amount banked.
- Cash and cheques receipts are reconciled daily to ensure that amounts processed on the cash receipting system match those actually received.
- Web payments are automatically downloaded every day and checked to ensure correct posting.
- An exception report is run and exceptions are cleared on a daily basis.
- Bank reconciliations are completed on a daily and monthly basis to ensure that all payments are received in the Council's bank accounts.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where one 'needs attention' recommendation has been made.

Payment guidance

- Links on the Council's web payment portal are to be updated, to reduce the risk of users being unable to find information on the site.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The previous report on Remittances (NN/16/07) was issued in December 2015, with a 'Substantial' assurance having raised three 'needs attention' recommendations, all of which have since been confirmed as implemented. A further 'needs attention' recommendation was raised in the 2016/17 Key Controls audit (NN/17/10) in March 2017, which has also been implemented

Assurance Review of Beach Huts

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Policies and procedures	0	0	1	0
Beach huts and chalets	0	0	2	0
Recovery of clear up costs	0	0	0	1
Total	0	0	3	1

SCOPE

This area has not been subject to audit review before and therefore the system was assessed to determine if adequate controls are in place and that the system is efficient. In addition, as a result of the recent tidal surge, the process in place for the recovery of the tidy up costs was assessed.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised one 'operational effectiveness matter', which sets out a matter identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- A complete record of beach huts and chalets, including licensee contact details, is maintained.
- The Council maintains a waiting list to ensure that newly available lets are allocated fairly.
- Hire charges are formally agreed by the Council and publicly available on the Council's website.
- The Council holds copies of all licences and beach hut insurance policies.
- Licence terms and conditions are provided to licensees when they receive their licence, with further clarification on the Council's website.
- Chalet repairs and maintenance are carried out in a timely manner when reported.
- The Council has reviewed the arrangements for recharging costs after the storm surge to determine the most efficient use of resources in future.

ISSUES TO BE ADDRESSED

The audit has also highlighted the following areas where three 'needs attention' recommendations have been made.

Policies and procedures

- Written procedure notes are created to guide staff on key tasks within the service, to reduce the risk of inconsistent or ineffective practices in the event of staff absence.

Beach huts and chalets

- All licences are to be signed by the Council as well as the licensee, as evidence that the terms and conditions have been agreed by all parties.
- A planned maintenance programme is to be created for chalets, including electrical safety checks as applicable, to reduce the risk of chalets falling into disrepair and the Council not ensuring a safe structure.

Operational Effectiveness Matters

The operational effectiveness matters, for management to consider relate to the following:

- The Council to consider investigating potential sources of financial assistance in the event of future storm surges.

Previous audit recommendations

This is the first audit of beach huts and therefore there have not been any previous audit recommendations.

Other issues identified

The Council will no longer recharging hut owners for clear up costs should there be a storm or natural disaster causing damage to the huts. This is due to the difficulty with proportioning of costs across several hut owners, where damage is varied and not conclusive. Previously the Council charged hut owners for storm damage clear up, resulting in many disputed invoices, which was costly, time consuming and challenging to rectify. As such a decision was made to cease further charges in this instance.

Assurance Review of the CIVICA Revenues and Benefits Application

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Data Processing	0	0	1	0
Total	0	0	1	0

No recommendations were raised in the areas of Access controls, Data Input, Data Output, Interfaces, Management Trails, Backup & Recovery

SCOPE

This key system requires review to ensure the data is safeguarded and the processes in place are efficient and effective.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial Assurance' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'needs attention' recommendation being raised upon the conclusion of our work.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- The Benefits Manager and Revenue Services Manager are the owners of the system and data thus ensuring appropriate responsibility and accountability for the system.
- The Revenues and Benefits Department incorporates a Systems and Administration Team that provides local front line support for the application.
- CIVICA OPENRevenues comes with its own built-in report writer and query builder and Crystal is also available for other ad-hoc reporting requirements where the functionality of the built-in report writer is not sufficient. This ensures that the required management reports can be run from the system and provide the information needed. Access to these are adequately controlled.
- Joiners and Leavers processes were sample tested and found to be operating adequately and effectively.
- Password controls have been adequately configured in line with current accepted good practice.
- The application has a number of access groups configured within it. Access permissions are applied on request from management, with a basic access group profile initially granted. As users' skills, knowledge and experience improves over time, the basic access profile is enhanced with additional access permissions in line with their role profile. There is also periodic checking of account activity, to ensure only appropriate access is retained. Additionally, there is adequate control of accounts with full administrative access to the application.
- Sample testing of the application's ability to trap errors when inputting data suggested that the ability to detect potentially erroneous data on entry is adequate.
- Schedules for system processing jobs are in place and monitored for completeness, with all processing jobs automated and designed to expect files when required.

- There are adequate Quality Assurance processes in place for both the Revenues and Benefits activities. It is also noted that such processes are planned to be more automated going forward, which will assist in increasing the levels of monitoring in place allowing for real time checking of work to reduce the need for retrospective account changes.

ISSUES TO BE ADDRESSED

The audit has highlighted the following area where one 'needs attention' recommendation has been made.

Data Processing

- There is a need to conduct a review of the "OPENRevenues Housekeeping Tasks" procedure document to reduce the risk of service disruption.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

APPENDIX 3 – PERFORMANCE MEASURES

Area / Indicator	Target
<u>Audit Committee / Senior Management</u> 1. Audit Committee Satisfaction – measured annually 2. Chief Finance Officer Satisfaction – measured quarterly	Adequate Good
<u>Internal Audit Process</u> 3. Each quarters audits completed to draft report within 10 working days of the end of the quarter 4. Quarterly assurance reports to the Contract Manager within 15 working days of the end of each quarter 5. An audit file supporting each review and showing clear evidence of quality control review shall be completed prior to the issue of the draft report (a sample of these will be subject to quality review by the Contract Manager) 6. Compliance with Public Sector Internal Audit Standards 7. Respond to the Contract Manager within 3 working days where unsatisfactory feedback has been received.	100% 100% 100% Full 100%
<u>Clients</u> 8. Average feedback score received from key clients (auditees) 9. Percentage of recommendations accepted by management	Adequate 90%
<u>Innovations and Capabilities</u> 10. Percentage of qualified (including experienced) staff working on the contract each quarter 11. Number of training hours per member of staff completed per quarter	60% 1 day

Eastern Internal Audit Services



NORTH NORFOLK DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 1 April to 31 October 2017

Responsible Officer: Emma Hodds – Head of Internal Audit for North Norfolk DC

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1. INTRODUCTION

- 1.1 This report is being issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive (known in this context as the Internal Audit Consortium Manager, providing the role of the Head of Internal Audit) to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes: -
- The status of agreed actions.

2. STATUS OF AGREED ACTIONS

- 2.1 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit Contractor on a regular basis and reported through to this Committee. Verification work is also undertaken for those recommendations that are reported as closed.
- 2.2 **Appendix 1** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken and identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round.
- 2.3 The summary position according to recommendation priority is shown in the table below, with the previously reported position in the first table and the current position in the second table to enable comparison:

Status of Recommendations as at 31 March 2017					
	P1	P2	P3	Total	%
Complete	1	3	12	16	50%
Outstanding	0	9	7	16	50%

Status of Recommendations as at 31 March 2017					
	P1	P2	P3	Total	%
Complete	0	11	11	22	65%
Outstanding	0	6	6	12	35%

Key:

Priority 1 – Urgent: Fundamental control issue on which action to implement should be taken within 1 month.

Priority 2 – Important: Control issue on which action to implement should be taken within 3 months.

Priority 3 – Needs Attention: Control issue on which action to implement should be taken within 6 months.

2.4 In relation to the historic recommendations (i.e. those prior to the 2015/16 financial year), there is one from a 2010/11 review on Development Management. The Head of Planning has provided a full update on the improvement plan which is attached at **Appendix 2** to this report.

There is also one outstanding recommendation from a review undertaken in 2014/15 of Key Controls & Assurance. The detail of the progress to date is reflected in **Appendix 3** of the report.

2.5 In 2015/16 internal audit raised 62 recommendations, with 61 now being closed and one important recommendation outstanding. The management responses in relation to the these can be seen at **Appendix 4** of the report.

Number raised	62	
Complete	61	98%
Outstanding	1	2%

2.6 In 2016/17 internal audit raised 32 recommendations; 28 of which have already been implemented by the agreed date, three of which are outstanding (no urgent, one important and two needs attention) and one of which was disagreed and has been reported to Committee previously.

Number raised	32	
Complete	28	88%
Outstanding	3	9%
Disagreed	1	3%

The management responses in relation to the important recommendation can be seen at **Appendix 5** to the report.

2.7 In 2017/18 internal audit has raised 25 recommendations; five of which have already been implemented by the agreed date, six of which are outstanding (no urgent, three important and three needs attention) and 14 of which are not yet due for implementation.

Number raised to date	25	
Complete	5	20%

Outstanding	6	24%
Not yet due	14	56%

The management responses in relation to the three important recommendations can be seen at **Appendix 6** to the report.

- 2.8 Good progress continues to be made in addressing audit recommendations and it is encouraging to see that there are now only three old audit recommendations that need closing down. Excellent progress has been made in addressing the recommendation made last financial year with only three now needing to be finalised.

Committee need to ensure that recommendations made within this financial year are addressed in a timely manner, and that the last few audit recommendations are appropriately addressed.

APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 01/04/2017 and 31/10/2017			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
			Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
Audit Ref	Audit Area	Assurance Level													
2010/11 Internal Audit Reviews															
NN1112	Development Management, Building Control and Land Charges	Adequate					1					1			
2014/15 Internal Audit Reviews															
NN1513	Key Controls and Assurance	N/A						1				1			
NN1517	Firewall Administration	Adequate		1								0			
2015/16 Internal Audit Reviews															
NN1608	Car Parking	Reasonable		1								0			
NN1611	Accounts Receivable	Substantial			1							0			
NN1614	Xpress Electoral Services Application	Reasonable		1	2							0			
NN1615	Cash Receiving Application	Reasonable					1					1			
2016/17 Internal Audit Reviews															
NN1706	Payroll & Human Resources	Reasonable		1								0			
NN1710	Key Controls and Assurance	Substantial			1							0			
NN1711	Accounts Payable	Reasonable		2								0			
NN1712	Business Continuity	Reasonable		1	1							0			
NN1713	Social Media	Reasonable		1	1							0			
NN1714	Efinancials Applications	Reasonable		2	1						1	1			
NN1716	IT Hardware Asset Disposal	Limited					1	1				2			
2017/18 Internal Audit Reviews															
NN1801	Performance Management	Substantial			2							0			1
NN1803	Land Charges	Reasonable		1	1						1	1	1		
NN1804	Disaster Recovery	Reasonable							3	2		5			
NN1807	Environmental Health	Reasonable										0	2	1	
NN1808	Civica Revenues & Benefits Application	Substantial			1							0			
NN1810	Income	Substantial										0			1
NN1811	Car Parking	Reasonable										0	2	3	
NN1812	Beach Huts	Substantial										0			3
TOTALS			0	11	11	0	3	2	0	3	4	12	0	5	9

Planning Obligations: Improvement Plan (updated 16/11/17)

Activity	Priority	Status	Lead Officer	Target Completion date	Recommendation /Progress to date
Practice Guides					
Use of Planning Obligation in decision making	2		Nicola Baker	September 2017	Final document drafted
Developers Guide to use of Planning Obligations –	2		Nicola Baker	September 2017	Final document drafted
Use of Viability Assessment in decision making	2		Nicola Baker	March 2018 (revised date)	
Developers Guide for Viability Assessment	2		Nicola Baker	March 2018 (revised date)	
Developers Guide to Open Space requirements, costs and adoption procedures	1		Rob Young	September 2017 March 2018 (revised date)	
Developers Guide to open space incorporating SUD, costs and adoption procedures	1		Steve Blatch	September 2017 March 2018 (revised date)	
Affordable housing requirements (need to be updated?)	1		Mark Ashwell/Nicola Turner	Consultation Spring/summer 2018	Will be incorporated into the review of the Local Plan.
Drafting agreements					

Activity	Priority	Status	Lead Officer	Target Completion date	Recommendation /Progress to date
Introduction of clear 'instruction sheet' for Planners to instruct Eastlaw at the appropriate stage	1		Eastlaw	September 2017	Completed
Production of the standard template for use internal consultation (affordable housing, SUDs, open space – to speed up the production of the first draft of S106 (may have this, may need updating, check list of information require and standard form of legal undertaking)	1		Eastlaw	September 2017	Draft circulating
Investigate the Council's ability to recover Officer time in addition to legal costs.	1		Eastlaw	September 2017	Advice received.
Need clear procedure for dealing with variation to legal agreements	2		Eastlaw/Nicola Baker	December 2017	Draft form and process drafted.
Historic S106					
Check historic data already entered into Acolaid. Check to ensure recent S106 agreement recorded on system, and also as Land Charge	1		Geoff Lyon	30 June 2017	Work commenced.
Use Risk based approach to identify priorities to under monitoring of sites under development	1		Geoff Lyon	30 June 2017	Priorities identified.
Put new procedure in place for Case Officers to follow on receipt of signed agreement from Eastlaw	1		Geoff Lyon/Sarah Ashurst	March 2018 (revised date)	
Explore use of Acolaid S106 module and reports-	2		Geoff Lyon/Sarah Ashurst	September 2018 (revised date)	Explore options within the new back office system
Ensure reports in place, that will list triggers	2		Geoff Lyon/Sarah	September 2018	Explore options

Activity	Priority	Status	Lead Officer	Target Completion date	Recommendation /Progress to date
			Ashurst	(revised date)	within the new back office system
Monitoring					
Review role of monitoring S106 as part of work of Combined Enforcement team once improvement plan implemented	2		Nicola Baker/Steve Hems	September 2018 (revised date)	
Clear procedure for tracking receipt of payments, to spending department and delivery of infrastructure Need to link to Norfolk County Council monitoring.	2		Nicola Baker / Duncan Ellis/Rob Young	September 2018 (revised date)	

APPENDIX 3 - OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – HISTORIC AUDIT REVIEWS

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN1513 Work to Support the Preparation of the Annual Governance Statement	The Council's Disposal, Investment and Acquisition Policy should be reviewed and where necessary updated, to reflect current the Council's agreed arrangements for assessing and approving capital acquisitions and disposals.	3	Agreed. The Disposal, Investment and Acquisition Policy will be reviewed and updated where appropriate to reflect the recent changes to the Board structures and arrangements. Results of Follow Ups to Date April 2015 - The update of the policy will be taken through the committee system for approval in July 2015.	Asset Strategy Manager	31/10/2015	31/12/2017	Outstanding	The draft policies were due to go to Cabinet in September but this has been deferred to December. Revised deadline set for end of December.

APPENDIX 4 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2015/16 AUDIT REVIEWS

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN1615 Cash Receipting Application	Recommendation 2 - Council Management to initiate a process whereby the application's contract is reviewed with a view to renewing it or tendering for a replacement by the expiry date of August 2016.R	2	Agreed.	Head of Finance and Assets	31/01/2016	31/12/2017	Outstanding	NNDC are currently in discussions with a company called Expense Reduction Analysts (ERA) who are working on behalf of NNDC and a number of other local Councils to try and reduce the costs for merchant services, which is directly connected to the cash receipting contract. The council will not be entering into a new contract until the ERA negotiations have concluded.

APPENDIX 5 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2016/17 AUDIT REVIEWS

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN1716 IT Asset Disposal	Recommendation 3 - Council management to ensure that a full, documented reconciliation of the destroyed assets confirmed by the WEEE contractor is carried out against the original asset list sent for destruction.	2	Agreed.	Network Manager.	31/03/2017	31/03/2018	Outstanding	Corrected revised due date to 31/03/2018

APPENDIX 6 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2017/18 AUDIT REVIEWS

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN1804 Disaster Recovery including Fakenham Site	Recommendation 1. The Disaster Recovery overview document requires review. The review of the overview document to include the following: Copies of scripts; Procedures for recovering key systems (to support the existing specialist knowledge and in the event that this knowledge is not available during an incident); Include a version history section that can be used to log changes to the plan and the reasons for the change. For example, an update to the plan to take account of any lessons learned following a Disaster Recovery test; Incorporation of the separate document containing 3rd party contact details;	2	Agreed.	Networks Manager	31/10/2017	30/11/2017	Outstanding	The Council is conducting a DR scenario at the Fakenham office on the weekend of the 11th/12th November. Deadline extended to 30th November to allow time to update procedures etc after this.

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN1804 Disaster Recovery including Fakenham Site	Recommendation 2. The Council to review the errors produced by the Veeam backup reports and to satisfy themselves that the errors do not represent a significant weakness to the Council in terms of the ability to recover its data in a timely manner, whilst also ensuring the integrity of the data concerned. Any error states requiring further investigation to be logged as Service Desk calls and assigned appropriately.	2	Agreed.	Networks Manager	31/10/2017	30/11/2017	Outstanding	The Council is conducting a DR scenario at the Fakenham office on the weekend of the 11th/12th November. Deadline extended to 30th November to allow time to update procedures etc after this.
NN1804 Disaster Recovery including Fakenham Site	Recommendation 3. Council management to formally document a Disaster Recovery testing plan, to include a full Disaster Recovery failover test to Fakenham. The existing recordkeeping that comprises Disaster Recovery test plans and incident log documentation to be used as the test reporting mechanism. All IT incidents also to be logged as Disaster Recovery tests as these can be deemed to be tests of the ability of the IT service to recover from such incidents and to log lessons learned.	2	Agreed.	Networks Manager	31/10/2017	30/11/2017	Outstanding	The Council is conducting a DR scenario at the Fakenham office on the weekend of the 11th/12th November. Deadline extended to 30th November to allow time to update procedures etc after this.

GOVERNANCE, RISK AND AUDIT COMMITTEE – UPDATED TERMS OF REFERENCE

Summary: To approve the updated terms of reference for the Committee in line with best practice.

Conclusions: The terms of reference of the Committee have been reviewed to ensure that best practice is followed and that the Committee has the authority to make the required decisions delegated to it.

Recommendations: That the Committee note the proposed purpose and terms of reference for the Governance, Risk and Audit Committee and that these are put forward to Full Council for approval and formal adoption, subject to any amendments.

Reasons for Recommendations: The terms of reference of the Committee have been reviewed to ensure that best practice is followed.

Cabinet Member(s)	Ward(s) affected
Contact Officer, telephone number and email: Emma Hodds 01508 533791 ehodds@s-norfolk.gov.uk	

1. Introduction

- 1.1 It is good practice to review the terms of reference of a committee to ensure that they are clear and cover the remit of the committee and ensure that best practice is followed where appropriate.
- 1.2 At the Committee meeting on the 5th September 2017, it was suggested that the terms of reference should be reviewed and amended so that the Committee could approve the accounts without reference to Full Council.
- 1.3 The opportunity has also been taken to bring this into line with best practice, as followed by other Council's in the Internal Audit consortium.

2. Proposed terms of reference

- 2.1 The current terms of reference of the Committee are attached at **Appendix A** to this report for Committee's information and ease of reference. With the proposed terms of reference attached at **Appendix B**.
- 2.2 As requested by the Committee the terms of reference now make it clear that the Committee has the authority to approve the statement of accounts, this is necessary

to ensure that the new earlier deadline for closing the accounts can be reached and also brings the council in line with best practice. The specific reference is as follows:

To review and approve the annual Statement of Accounts and the Annual Governance Statement contained therein.

- 2.3 The terms of reference have also been displayed slightly differently to make it clear which areas terms refer to; i.e. internal audit, external audit, accounts / finance, risk management and governance.

3. Conclusion

- 3.1 The terms of reference of the Committee have been reviewed to ensure that best practice is followed and that the Committee has the authority to make the required decisions delegated to it.

Appendix A - Current Terms of Reference

1. Providing independent assurance that the Authority's financial and risk management (including the Corporate Risk Register) is adequate and effective and that there is a sound system of internal control that facilitates the effective exercise of its functions, including:

1.1 keeping under review the Authority's own audit standards and whether they are relevant and represent best practice;

1.2. considering or reviewing the following and the action taken on them and advising the Council and/or the Cabinet, as appropriate:

a) internal and external audit plans and progress against plans

(b) summaries of external and internal audit reports and progress against recommendations made in audit reports

(c) the annual report of the internal auditor and the Annual Governance Statement

(d) reviewing the annual statement of accounts and whether appropriate accounting policies have been followed

(e) reports from inspection agencies, including the external auditor's Annual Management letter and report to those charged with governance issues

(f) keeping under review the Authority's control environment and anti fraud and anticorruption arrangements, including compliance with the Financial and Contracts Procedure Rules

(g) keeping under review the relationships between external and internal audit and other inspection agencies.

2. Reviewing the performance of the Council's appointed Internal Audit provider.

Note that the Chairman of the Governance Risk & Audit Committee is not permitted to be a member of the Overview & Scrutiny Committee.

Appendix B - Proposed Terms of Reference for Governance and Audit Committee

The purpose of the Governance, Risk and Audit Committee is to monitor governance, risk management and internal control arrangements at the Council, to provide independent assurance that these are effective and efficient.

This is achieved through key regular items received by the Committee in relation to, but not limited to; internal and external audit, key finance items, governance reviews and strategic risk management reporting.

Internal Audit

To consider and approve annually the Internal Audit plan of work, considering the scope and depth of the work in addressing the Council's significant risks and issues.

To consider the outcomes of the internal audit plan of work and to monitor management's progress in implementing agreed audit recommendations.

To consider and approve the Annual Report and Opinion of the Head of Internal Audit, ensuring that the systems of internal control, governance and risk management have been effective and efficient over the course of the year.

To consider the performance of the internal auditors in relation to the adherence to the Public Sector Internal Audit Standards.

External Audit

To consider annually the External Audit plan of work.

To consider External Audit reports and letters.

Accounts / Finance

To consider the extent of the Council's compliance with its own and other published financial statements and controls.

To review and approve the annual Statement of Accounts and the Annual Governance Statement contained therein.

Risk Management

To review the strategic risks that the Councils faces and ensure that there are being appropriately managed, monitored and mitigated.

Governance

To review the Council's arrangements for governance, with particular regard to the Local Code of Corporate Governance and the Financial and Contracts Procedure Rules.

To review the Council's arrangements to counter fraud and corruption, with particular regard to the policies on: Counter Fraud, Whistleblowing and Money Laundering.

To hold periodic private discussion with the Head of Internal Audit and the External Auditors to review working relationships and discuss any pertinent issues.

To commission ad-hoc work from internal and external audit.

To assess the Committee's own effectiveness on an annual basis against best practice.

Note that the Chairman of the Governance Risk & Audit Committee is not permitted to be a member of the Overview & Scrutiny Committee.