

Governance, Risk and Audit Committee



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16 March 2018

A meeting of the **Governance, Risk and Audit Committee** of North Norfolk District Council will be held in the **Council Chamber** at the Council Offices, Holt Road, Cromer on **Tuesday 27 March 2018 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 1)

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

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

(page 6)

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 7)

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

8. ERNST & YOUNG AUDIT PLANNING REPORT (page 8)

To receive the Annual Audit Planning Report from the External Auditors Ernst & Young

9. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY 01 APRIL TO 01 AUGUST 2017 (page 45)

(Appendix 1 – p.50) (Appendix 2 - p.52) (Appendix 3 – p.61)

Summary:

This report examines the progress made between 23 November 2017 and 6 March 2018 in relation to delivery of

the Annual Internal Audit Plan for 2017/18.

Conclusions: Progress in relation to delivery of the internal audit plan is line with expectations; and positive assurance has been awarded in the audit reviews finalised in this period.

Recommendations: It is recommended that the Committee notes the outcomes of the assurance audits completed between 23 November 2017 and 6 March 2018.

Cabinet member(s):

All

Contact Officer, telephone number, and e-mail:

Ward(s) affected:

All

Emma Hodds, Head of Internal Audit for North Norfolk DC
01508 533791, ehodds@s-norfolk.gov.uk

10. STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2018/19 (page 62)

(Appendix 1 – p 68) (Appendix 2 – p 72) (Appendix 3 – p 75) (Appendix 4 – p79)

Summary:

This report provides an overview of the stages followed prior to the formulation of the Strategic Internal Audit Plan for 2018/19 to 2020/21 and the Annual Internal Audit Plan for 2018/19. The Annual Internal Audit Plan will then serve as the work programme for the Council's Internal Audit Services Contractor; TIAA Ltd. It will also provide the basis for the Annual Audit Opinion on the overall adequacy and effectiveness of North Norfolk District Council's framework of governance, risk management and control.

Conclusions:

The attached report provides the Council with Internal Audit Plans that will ensure key business risks will be addressed by Internal Audit, thus ensuring that appropriate controls are in place to mitigate such risks and also ensure that the appropriate and proportionate level of action is taken.

Recommendations:

It is recommended that the Committee notes and approves:

- a) the Internal Audit Strategy for 2018/19;
- b) the Strategic Internal Audit Plans 2018/19 to 2020/21; and
- c) the Annual Internal Audit Plan 2018/19.

Cabinet member(s):

All

Contact Officer, telephone number, and e-mail:

Ward(s) affected:

All

Emma Hodds, Head of Internal Audit for North Norfolk DC
01508 533791, ehodds@s-norfolk.gov.uk

11. CORPORATE RISK REGISTER (page 80)

To receive an update on the Corporate Risk Register

Source: Duncan Ellis, Head of Finance and Assets
Tel: 01263 516330

12. RISK MANAGEMENT FRAMEWORK (page 95)

To receive the updated Risk Management Policy and Framework

Source: Duncan Ellis, Head of Finance and Assets
Tel: 01263 516330

13. GOVERNANCE, RISK AND AUDIT COMMITTEE ANNUAL REPORT (page 112)

Summary:

This report arises from the CIPFA self-assessment of good practice undertaken in March 2017. It aims to give all Members a fuller understanding of the role of the Governance, Risk and Audit Committee, to inform Members of the Committee's work in the year 2017/18 and to highlight some of the key issues it has considered.

Conclusions:

The Committee has fulfilled its remit and had a very active year as demonstrated by the volume of work it has processed. There have been changes in membership but attendance has been good and consistent. 2018 brings the challenge of an earlier deadline for closure of the Final Accounts and the Committee has prepared for this by tabling an extra meeting and agreeing to changes in its Terms of Reference.

Recommendations:

It is recommended that Council notes the report and affirms the work of the Governance, Risk and Audit Committee.

Reasons for Recommendations

To inform Council of the work of the Governance, Risk and Audit Committee in 2017/18

Cabinet member(s):

Ward(s) affected:

All

All

Contact Officer, telephone number, and e-mail:

Mary Howard, Democratic Services Officer, 01263 516047, mary.howard@north-norfolk.gov.uk

14. EXCLUSION OF THE PRESS AND PUBLIC

To pass the following resolution, if necessary:

"That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in 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 December 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 J Rest
	Ms V Gay	Mr D Young

Other

Members: Mrs A Fitch-Tillett

Officers in

Attendance: The External Audit Manager, the Head of Internal Audit, the Chief Technical Accountant and the Democratic Services Officer.

The Chairman welcomed Mr J Rest to the Committee. This was followed by a round of introductions.

29. APOLOGIES

None received.

30. PUBLIC QUESTIONS

None received.

31. ITEMS OF URGENT BUSINESS

None

32. DECLARATIONS OF INTEREST

None

33. MINUTES

The Minutes of the meeting of the Governance, Risk & Audit Committee held on 05 September 2017 were approved as a correct record after the following amendments:

- a) Item 20: Audit Results Report, Questions and Discussion (h): should read: "The Chairman, 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".
- b) Item 25: Progress Report on Internal Audit Activity 01 April to 01 August 2017: the penultimate paragraph should read "The Chairman said that he was pleased to see that there were no urgent recommendations".

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

- a) Update on the Committee for Full Council: the Democratic Services Officer had offered to write a report giving a flavour of the Committee's work. Input would be invited from the Head of Finance and Asset Management and the Head of Internal Audit. The report would come to the Committee for approval in March, and to the Annual meeting of Full Council. The concept of providing an update to Full Council had arisen from the self-assessment. In the past, an Annual Report had been produced, but this had lapsed in recent years.
- b) Additional meeting: at the September meeting it had been agreed to schedule an additional meeting for July so that the Committee could sign off the Financial Statements to meet the deadline. A definite date had not yet been set but the draft calendar of meetings was being produced. The Terms of Reference had been updated to reflect that the Governance, Risk and Audit Committee could sign off the Statements. This was at item 11 of today's agenda. The Constitution would have to be changed accordingly and this would go to Full Council.

35. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

Changes to the Work Programme:

- a) The Anti-money laundering policy had been moved to March 2018.
- b) A request was made that the Annual Audit Letter be moved from December 2018 to September 2018.
- c) An extra meeting had been scheduled for July 2018 to sign off the Financial Statements.

36. ERNST & YOUNG ANNUAL AUDIT LETTER

The Letter was presented by Alison Riglar, who had taken over as Audit Manager for North Norfolk District Council. The Chairman commended the Letter for being a good and comprehensive report. He thanked Ernst Young for producing it and the Staff at NNDC for their assistance. An unqualified opinion had been issued for the Financial Statements, so the Council was in a very good position.

The Audit Manager explained that the Letter was a public document summarizing the key findings of the audit. Much of the content had already been seen by Members. There had been no significant issues. Grant and Certification work had been completed by the deadline of 30 November.

Questions and Discussion

- a) Pensions, valuations and disclosures: in response to a question from Mr D Young, the Audit Manager explained that this was standard wording and that no additional payments to the pensions scheme had been made.
- b) Audit fees: in response to a question from Mr M Knowles, the Audit Manager explained that there were two Audit Fees – one for Code Work and one for Certification of Claims and Returns.
- c) Removal of non-material disclosure notes: Mr D Young asked why the notes were there and expressed concern that removing them would result in loss of detail to the Committee. The Chief Technical Accountant explained that notes would only be removed if they weren't useful, but not if loss of essential detail would result. Mr Young agreed that a cut-down version would be useful as long as no detail was lost to the Committee. In response to a question from Mrs A

Fitch-Tillett, the Chief Technical Accountant said that specific disclosures would have to be discussed with the Auditor.

- d) In answer to a question from Mr D Baker, it was explained that the Audit Fees included external audit only.
- e) To a further question from Mr Baker it was explained that unadjusted errors were seen by the Committee, but that there hadn't been any this year.
- f) The Chief Technical Accountant told the Committee that the accounts would need to be closed earlier in 2018. The external audit would also undergo a change in staffing. The Finance Team would work closely with the Audit Manager and her team to ensure this made no impact. The Chairman said that the risk had been identified and the Committee was aware of it. In response to a question from Mr M Knowles the Chief Technical Accountant said that there was a "naming and shaming" system for authorities who missed the deadline. Ms V Gay asked if other authorities were facing the same pressures. The Chief Technical accountant replied that they were, but that NNDC was in a good position, having almost met the 2018 deadline date this year. Mr J Rest asked if the Committee could do anything to help. The Chief Technical Accountant said that agreeing to an extra meeting had already helped. The Committee would be informed if the deadline wasn't being met.

RESOLVED

To receive the Annual Audit Letter.

37. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY 02 AUGUST TO 22 NOVEMBER 2017

- a) The internal audit work was on track for completion by the end of February, with 61% already done.
- b) There were six final reports since the last meeting, all very positive.
- c) The Civica recommendations had been implemented. Some recommendations were still to be implemented but there were no areas for concern.
- d) There would be a change in the contractor lead at NNDC, but it was someone who had worked on the site before.
- e) The Chairman thanked the Internal Audit Team for their work, which demonstrated the effectiveness of the Audit Plan.
- f) Licensing and Environmental Health recommendations: in response to a question from Ms V Gay, it was explained that a proactive approach was being introduced. Procedures were being strengthened so that information could be gathered earlier and risk prevented.
- g) Licensing, Air Quality, Private Water Supplies and Noise Complaints: responding to a question from Mr J Rest, the Head of Internal Audit said that there were significant numbers of private water supplies in North Norfolk.
- h) Parkeon database: answering a question from Mr D Young, the Head of Internal Audit explained that issues had been caused regarding reconciling information received from King's Lynn and West Norfolk Borough Council (KLWNBC) with our own information. This applied especially to income from fixed penalty charges. The recommendations needed to be completed by year end as the issues had been ongoing. In response to a question from Ms V Gay, the Head of Internal Audit said that the Parkeon software was performing effectively but that the problem was one of communications.
- i) Car Parks, Policy and procedures: in response to a further question from Mr Young, the Head of Internal Audit said that this "needs attention" recommendation had been put in place to achieve consistency in guidelines.

- j) Mr M Knowles asked how the Car Parking Arrangements worked. The Head of Internal Audit said that KLWNBC collected the cash from the machines and paid it into NNDC's account. They received a set fee for this. When a machine was emptied it generated a report which needed to go to NNDC so that the cash could be reconciled. This was the process that had been causing a problem.
- k) Mr Young expressed concern that the Service Level Agreement between NNDC and KLWNBC had not been signed. The Head of Internal Audit said that the agreement was being followed and she had been assured it would be signed.
- l) Mr D Baker expressed concern regarding the issues raised by the audit of Car Parking Arrangements. The Head of Internal Audit agreed that they needed to be carefully monitored.
- m) Accountancy Services: responding to a question from Mr M Knowles, the Head of Internal Audit explained that "independent review" was carried out by a member of the Chief Technical Accountant's team.

RESOLVED

To note the report.

38. FOLLOW-UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS

In 2017/18 internal audit had raised 25 recommendations. Of those due for implementation, 3 were outstanding. Disposal of Assets was the important one and was work in progress. All 5 Disaster Recovery recommendations had been implemented. The Chairman said that the Council was in a good position regarding outcomes.

RESOLVED

To note the report.

39. AUDIT COMMITTEE TERMS OF REFERENCE

The terms of reference of the Committee had been reviewed to ensure that best practice was followed and that the Committee had the authority to make the required decisions delegated to it.

As requested by the Committee the terms of reference now made it clear that the Committee had the authority to approve the Statement of Accounts. This was necessary to ensure that the new earlier deadline for closing the accounts could be reached and also brought 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."

Ms V Gay asked a question about whistleblowing. The Head of Internal Audit explained that the role of the Governance, Risk and Audit Committee was to ensure that the correct policy and procedure were in place to enable any investigation to be conducted. It was not appropriate for specific information about individuals to come to the Committee.

RESOLVED

To note the revised Terms of Reference and to forward them to Full Council.

The meeting ended at 14.52 pm

Chairman

GOVERNANCE, RISK & AUDIT COMMITTEE ON 05 DECEMBER 2017

ACTIONS ARISING FROM THE MINUTES

Minute No.	Agenda item and action	Action By
34.	Governance, Risk & Audit Update and Action List	
	To write a report on the Work of the Governance Risk and Audit Committee for approval at March 27 meeting of GRAC and to be forwarded to the annual meeting of Full Council.	Mary Howard (March)
07.	Governance, Risk & Audit Work Programme	
	Money Laundering Policy	Emma Hodds (June)

GOVERNANCE, RISK & AUDIT COMMITTEE WORK PROGRAMME MARCH 2018 – DECEMBER 2018

MARCH 2018	JUNE 2018	JULY 2018	SEPTEMBER 2018	DECEMBER 2018
EY Audit Plan (with overview) Annual Grant Certification Report from EY				EY Annual Audit Letter
Progress Report on Internal Audit Activity	Progress report on Internal Audit Activity		Progress Report on Internal Audit Activity	Progress Report on Internal Audit Activity
Undertake self-assessment	Follow up on Internal Audit Recommendations (to include update on historical recommendations)			Follow Up Report on Internal Audit Recommendations (to include update on historical recommendations)
Strategic and Annual Audit Plans	Anti-money laundering policy			
	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		
Report on the work of the Governance, Risk and Audit Committee				



**North Norfolk
District Council
Audit planning report**
Year ended 31 March 2018

1 March 2018



Governance, Risk and Audit Committee
North Norfolk District Council
Council Offices
Holt Road
Cromer
Norfolk
NR27 9EN

1 March 2018

Dear Governance, Risk and Audit Committee Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Governance, Risk and Audit Committee with a basis to review our proposed audit approach and scope for the 2017/18 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Governance, Risk and Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 27 March 2018 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

Mark Hodgson

For and on behalf of Ernst & Young LLP

Enc

Contents



In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from 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 February 2017)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Governance, Risk and Audit Committee and management of North Norfolk District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance, Risk and Audit Committee and management of North Norfolk District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Governance, Risk and Audit Committee and management of North Norfolk District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2017/18 audit strategy



Overview of our 2017/18 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Governance, Risk and Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Risk of fraud in revenue and expenditure recognition	Fraud risk/ Significant risk	No change in risk or focus	Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. 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 focus on the risk of incorrectly recording revenue spend as capital.
Misstatements due to fraud or error	Fraud risk/ Significant risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.
Property, Plant and Equipment Valuation	Other financial statement risk	No change in risk or focus	The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Pensions Liability - IAS19	Other financial statement risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Overview of our 2017/18 audit strategy

Materiality

Planning
materiality
£1.1m

Materiality has been set at £1.08 million, which represents 2% of the prior years gross expenditure on provision of services.

Performance
materiality
£807k

Performance materiality has been set at £0.807 million, which represents 75% of materiality.

Audit
differences
£54k

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) greater than £54,000. Other misstatements identified will be communicated to the extent that they merit the attention of the Governance, Risk and Audit Committee.

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of North Norfolk District Council (the Council) give a true and fair view of the financial position as at 31 March 2018 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.



02

Audit risks



Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Risk of fraud in revenue and expenditure recognition

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. 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.

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

What will we do?

Our approach will focus on:

- ▶ Testing the appropriateness of journals entries moving expenditure items from revenue codes to capital codes; and
- ▶ Reviewing capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Management override

What is the risk?

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

We identify and respond to this fraud risk on every audit engagement.

Linking to our risk of fraud in revenue and expenditure recognition above we have considered the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme. We have also considered the completeness of liabilities for any management bias.

What will we do?

Our approach will focus on:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Reviewing accounting estimates for evidence of management bias;
- ▶ Evaluating the business rationale for significant unusual transactions; and
- ▶ Reviewing capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Property, Plant and Equipment Valuation

Property, Plant and Equipment represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end balances held in the balance sheet.

The Council engage an external expert to value the asset base, who will apply a number of complex assumptions and assess the Council's assets to identify whether there is any indication of impairment and changes to their useful life.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre); and agreeing this to what has been recorded in the GL;
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We will also consider if there are any specific changes to assets that have occurred and whether these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2017/18 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

Audit risks

Other areas of audit focus - Continued

What is the risk/area of focus?

Pensions Liability - IAS19

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.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- ▶ Liaise with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to North Norfolk District Council;
- ▶ Assessing the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.



03

Value for Money Risks





Value for Money

Background

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.

For 2017/18 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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.

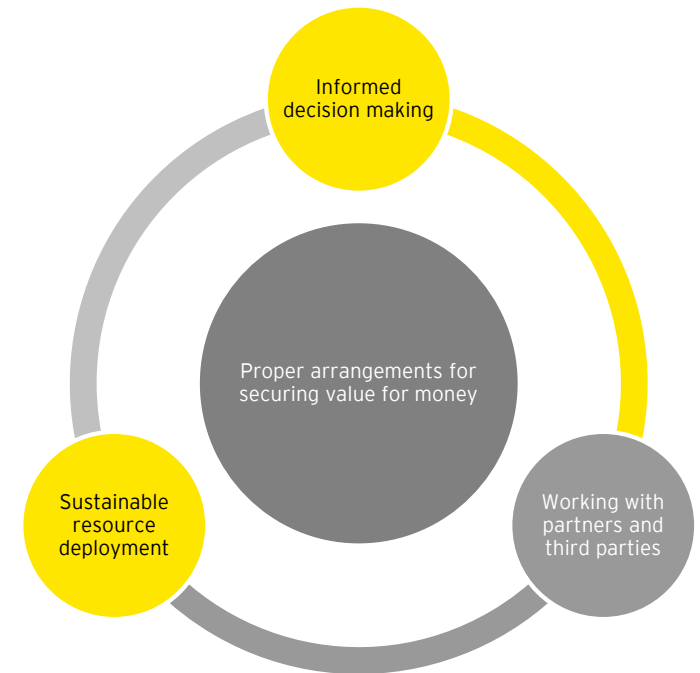
In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has not resulted in the identification of any significant risks.





04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2017/18 has been set at £1.08 million. This represents 2% of the Council's prior year gross expenditure on provision of services. It will be reassessed throughout the audit process. The rationale for this is that user and stakeholder focus is on the management and control of expenditure and continued service delivery, not on returns on funds invested or the generation of profit. We have provided supplemental information about audit materiality in Appendix D.



We request that the Governance, Risk and Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.807 million which represents 75% of planning materiality.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Governance, Risk and Audit Committee, or are important from a qualitative perspective.

Specific materiality - We have set a materiality of £54,000 for related party transactions and members' allowances and £5,000 for remuneration disclosures and exit packages which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to these areas.

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05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

2. Arrangements for securing economy, efficiency and effectiveness (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.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2017/18 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Governance, Risk and Audit Committee.

Internal audit:

As in prior years, we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements

Our Audit Process and Strategy (continued)

Earlier deadline for production of the financial statements

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 accounts by 31 July 2018.

These changes provide risks for both the preparers and the auditors of the financial statements:

- ▶ The Council now has less time to prepare the financial statements and supporting working papers and has the added complexity of preparing Group financial accounts.
- ▶ As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within the same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- ▶ good quality draft financial statements and supporting working papers by the agreed deadline;
- ▶ appropriate Council staff to be available throughout the agreed audit period; and
- ▶ complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere. Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Council we will:

- ▶ Work with the Council to engage early to facilitate early substantive testing where appropriate.
- ▶ Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- ▶ Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- ▶ Put in place a portal to streamline communication and sharing of audit evidence.
- ▶ Agree the team and timing of each element of our work with you.
- ▶ Agree the supporting working papers that we require to complete our audit.



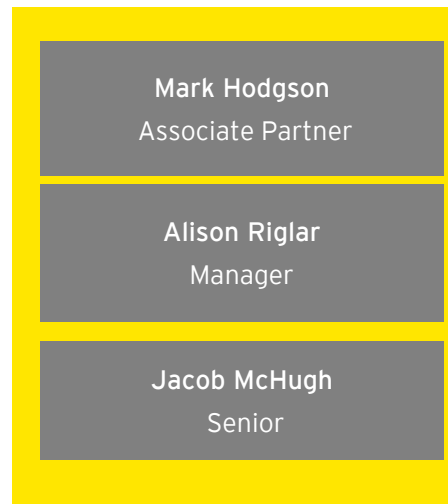
06

Audit team



Audit team

Audit team structure:



The engagement team is led by Mark Hodgson, who has significant experience on Local Authorities and their audits. Mark Hodgson is supported by Alison Riglar who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team.

Use of specialists

► **Our approach to the involvement of specialists, and the use of their work.**

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Property, Plant and Equipment, and Investment Properties	The Council's property valuer - Norfolk Property Services. We will also consider any valuation aspects that require EY valuation specialists to review any material specialist assets and the underlying assumptions used.
Pension valuations and disclosures	EY Pensions Team, PwC acting as consulting actuary appointed by the NAO and the Council's Actuary

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



07

Audit timeline





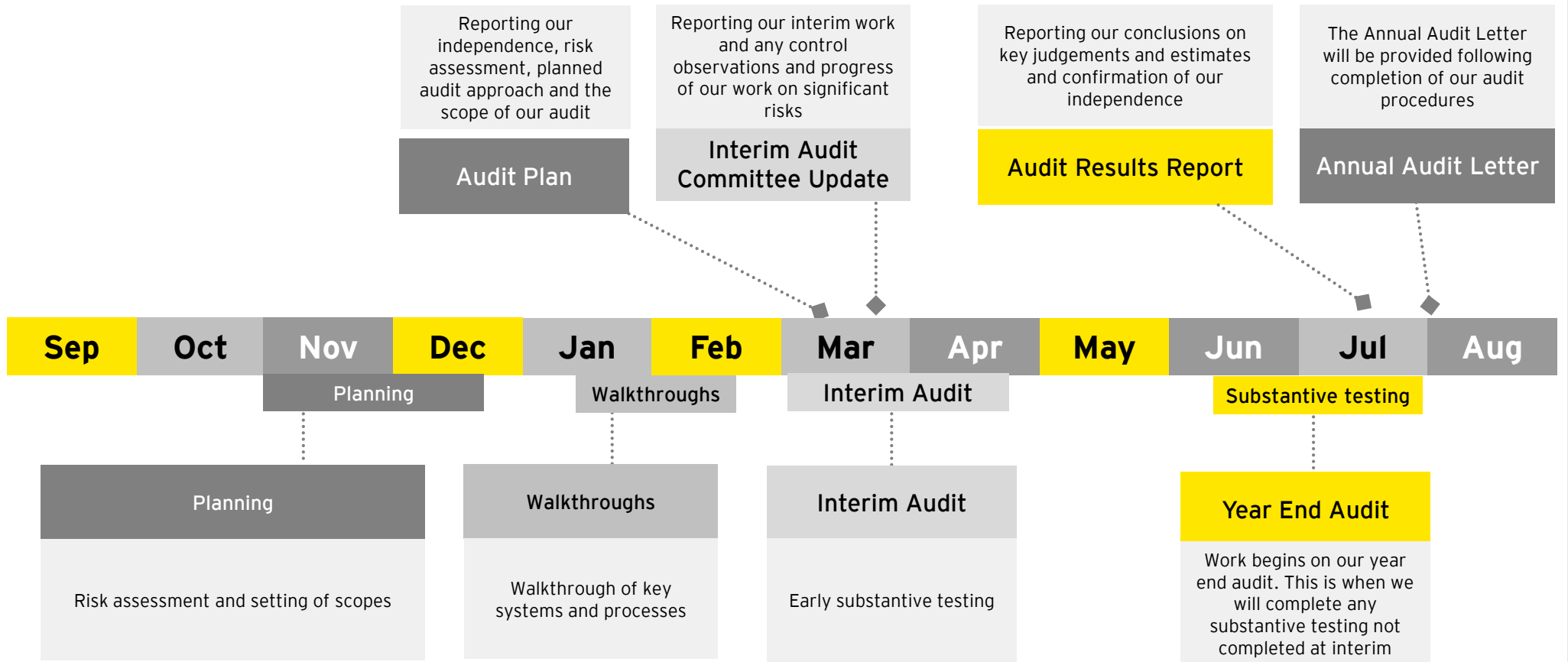
Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

From time to time matters may arise that require immediate communication with the Governance, Risk and Audit Committee and we will discuss them with the Governance, Risk and Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08

Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Written confirmation that all covered persons are independent; ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2017 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2017>



09

Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2017/18	Scale fee 2017/18	Final Fee 2016/17
	£'s	£'s	£'s
Total Fee - Code work	54,113	54,113	54,113
Total audit	54,113	54,113	54,113
Other non-audit services not covered above (Housing Benefits)	26,390	26,390	22,082
Total other non-audit services	26,390	26,390	22,082
Total fees	80,503	80,503	76,195

All fees exclude VAT

The agreed fee presented is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B

Regulatory update

In previous reports to the Governance, Risk and Audit Committee, we highlighted the issue of regulatory developments. The following table summarises progress on implementation:

Earlier deadline for production and audit of the financial statements from 2017/18	
Proposed effective date	Effective for annual periods beginning on or after 1 April 2017.
Details	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.
Impact on North Norfolk District Council	<p>These changes provide risks for both the preparers and the auditors of the financial statements:</p> <ul style="list-style-type: none"> ▶ The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include slippage in delivering data for analytics work in format and to time required, late working papers and internal quality assurance arrangements. ▶ As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within same compressed timetable. Slippage at one client could potentially put delivery of others at risk. <p>To mitigate this risk we will require:</p> <ul style="list-style-type: none"> ▶ good quality draft financial statements and supporting working papers by the agreed deadline; ▶ appropriate Council staff to be available throughout the agreed audit period; and ▶ complete and prompt responses to audit questions. <p>If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere.</p> <p>Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.</p>

Regulatory update (continued)

Earlier deadline for production and audit of the financial statements from 2017/18

Impact on North Norfolk District Council





To support the Council we will:

- ▶ Work with the Council to engage early to facilitate early substantive testing where appropriate.
- ▶ Provide an early review on the Council's streamlining of the Statement of Accounts where non-material disclosure notes are removed.
- ▶ Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2017/18 financial year.
- ▶ Work with the Council to implement EY Client Portal, this will:
 - ▶ Streamline our audit requests through a reduction of emails and improved means of communication;
 - ▶ Provide on -demand visibility into the status of audit requests and the overall audit status;
 - ▶ Reduce risk of duplicate requests; and
 - ▶ Provide better security of sensitive data.
- ▶ Agree the team and timing of each element of our work with you.
- ▶ Agree the supporting working papers that we require to complete our audit.

Appendix C




Required communications with the Audit Committee

We have detailed the communications that we must provide to the Governance, Risk and Audit Committee.

		 Our Reporting to you
 Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Governance, Risk and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - March 2018
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - July 2018




Appendix C

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - July 2018
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report - July 2018
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of Governance, Risk and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report - July 2018
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - July 2018




Appendix C

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	 What is reported?	  When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Audit Plan - March 2018</p> <p>Audit Results Report - July 2018</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - July 2018
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Governance, Risk and Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Governance, Risk and Audit Committee may be aware of. 	Audit Results Report - July 2018
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	<p>Audit Results Report - July 2018</p> <p>Annual Audit Letter -September 2018</p>

Appendix C

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - July 2018
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - July 2018
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - July 2018
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - March 2018 Audit Results Report - July 2018
Certification work	Summary of certification work undertaken	Certification report - December 2018

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Governance, Risk and Audit Committee reporting appropriately addresses matters communicated by us to the Governance, Risk and Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

Agenda Item 9**Progress Report on Internal Audit Activity: 23 November 2017 to 6 March 2018**

- Summary:** This report examines the progress made between 23 November 2017 and 6 March 2018 in relation to delivery of the Annual Internal Audit Plan for 2017/18.
- Conclusions:** Progress in relation to delivery of the internal audit plan is line with expectations; and positive assurance has been awarded in the audit reviews finalised in this period.
- Recommendations:** It is recommended that the Committee notes the outcomes of the assurance audits completed between 23 November 2017 and 6 March 2018.

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

1. Background

- 1.1. This report reflects progress made regarding assignments featuring in the approved Annual Internal Audit Plan for 2017/18 which was endorsed by the Audit Committee on 28 March 2017.

2. Overall Position

- 2.1. The overall position in relation to the progress made against the Internal Audit Plan is within the attached report.

3. Conclusion

- 3.1 Progress in relation to delivery of the Internal Audit Plan is line with expectations; and positive assurances have been awarded in the audit review finalised in this period.

4. Recommendation

- 4.1 It is recommended that the Committee note the outcomes of the assurance audits completed between 23 November 2017 and 6 March 2018.

Appendices attached to this report:

Progress Report on Internal Audit Activity

Eastern Internal Audit Services



NORTH NORFOLK DISTRICT COUNCIL

Progress Report on Internal Audit Activity

Period Covered: 23 November 2017 to 6 March 2018

Responsible Officer: 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 174 days of programmed work has been completed, equating to 90% 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 X final reports:

Audit	Assurance	P1	P2	P3
Accounts Receivable	Reasonable	0	0	3
Risk Management	Substantial	0	0	2
C3 Contact Management System	Reasonable	0	1	2

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 eight recommendations have been raised, all of which have been agreed by management.

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

4.6 In addition Internal Audit has finalised a cross authority review of the Human Resources and Payroll area, the Council’s involved in this review were; Breckland, North Norfolk & South Norfolk District Councils and Gt Yarmouth Borough Council.

The overall objective of the review was to identify where there are opportunities to improve practices in Human Resources and, in addition, to provide information to be analysed for future audits.

5 key points were raised:

- To consider a review of sickness absence monitoring and reporting for each department and at each level of seniority to ensure consistency of procedure.
- To consider undertaking a review of the two departments identified to determine whether there are underlying reasons for the high incidence of staff turnover.
- To consider undertaking an exercise on employee satisfaction to identify factors which may be unsettling employees, especially those in employment less than one year, and then look to ways to resolve this.

- To consider undertaking an exercise to ensure that all staff are aware of the benefits available and how to claim these, and to also consider reviewing the current benefits offered to ensure that these are suitable.
- To consider expanding the number of KPIs monitored to cover different aspects of the services work.

4.7 It is pleasing to note that all audits concluded in a positive opinion being awarded, indicating 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 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 Head of Internal Audit to ensure that appropriate action is taken.

5.3 The first three 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	6	Final Report issued 18 January 2018						
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	59							
Quarter 3											
Accounts Receivable	NN1809	10	10	10	Final Report issued 18 January 2018	Reasonable	0	0	3	0	27 March 2018
TOTAL		10	10	10							

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Quarter 4											
Risk Management	NN1814	6	6	6	Final Report issued 2 March 2018	Substantial	0	0	2	0	27 March 2018
Key Controls & Assurance	NN1815	15	15	14	Draft Report issued 1 March 2018						
Procurement	NN1816	10	10	1	Audit to start 13 March 2018						
Waste Management	NN1817	15	15	13	Audit underway						
Development Management	NN1818	12	12	7	Audit underway						
TOTAL		58	58	41							
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	10	Final Report issued 15 January 2018	Reasonable	0	1	2	2	27 March 2018
TOTAL		30	30	30							
Follow Up											
Follow Up	NA	12	12	10							
TOTAL		12	12	10							
TOTAL		193	193	174			0	10	23	7	
Percentage of plan completed				90%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of the Accounts Receivable Arrangements

Executive Summary

<p>OVERALL ASSURANCE ASSESSMENT</p> 	<p>ACTION POINTS</p> <table border="1"> <thead> <tr> <th>Control Area</th> <th>Urgent</th> <th>Important</th> <th>Needs Attention</th> <th>Operational</th> </tr> </thead> <tbody> <tr> <td>Raising sundry debtors, refunds and transfers</td> <td>0</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td>Suspense account</td> <td>0</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td>Recovery and write off of outstanding debts</td> <td>0</td> <td>0</td> <td>1</td> <td>0</td> </tr> <tr> <td>Total</td> <td>0</td> <td>0</td> <td>3</td> <td>0</td> </tr> </tbody> </table> <p>No recommendations have been raised in respect of Policies, Procedures and System Security, Direct Debits and Reconciliations.</p>	Control Area	Urgent	Important	Needs Attention	Operational	Raising sundry debtors, refunds and transfers	0	0	1	0	Suspense account	0	0	1	0	Recovery and write off of outstanding debts	0	0	1	0	Total	0	0	3	0
Control Area	Urgent	Important	Needs Attention	Operational																						
Raising sundry debtors, refunds and transfers	0	0	1	0																						
Suspense account	0	0	1	0																						
Recovery and write off of outstanding debts	0	0	1	0																						
Total	0	0	3	0																						
<p>SCOPE</p> <p>The audit reviewed the systems and controls in place within Accounts Receivable, to confirm that these are operating adequately, effectively and efficiently.</p>																										

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 three 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous audit report issued in March 2016 concluded with a substantial assurance, having raised one 'needs attention' recommendation, the assurance level is reasonable this year due to the increase in the number of recommendations raised.

POSITIVE FINDINGS

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

- Invoices are promptly raised by Financial Services thereby facilitating prompt recovery of monies owed to the Council.
- The Council's terms and conditions are clearly stated on all invoices raised, ensuring the debtor is clearly aware of payment terms.
- Debtor's details are checked as correct prior to raising an invoice so as to minimise the risk of incorrect invoices being raised.
- Bad debts are written off in accordance with laid down policy and delegated levels of authority and after all attempts at recovery have been exhausted. This ensures that debts are not written off unnecessarily causing financial loss to the Council and that they are properly authorised.

ISSUES TO BE ADDRESSED

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

Raising of sundry debtors, refunds and transfers

- Refunds to be authorised in line with the limits set within the authorised signatory list, so as to reduce the risk of inappropriate or fraudulent payments being processed by officers operating outside of their levels of delegated authority.

Suspense account

- To retain documentary evidence supporting all transfers out of the suspense 'bucket' account, to the correct account, so as to reduce the risk of issues tracing funds which may have been transferred to the incorrect account.

Recovery and write off of outstanding debts

- Arrears reports to be reviewed in line with the frequencies set as per the 'SIS Monitoring Schedule, thereby reducing the risk of recovery action being delayed or overlooked and debts becoming irrecoverable.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Other issues noted

Historically, there has been insufficient resource to undertake a purge on customer accounts and details, however, due to the impending implementation of the new General Data Protection Regulation (GDPR) in May 2018, this has become a necessary exercise in order to adhere to new data protection rules. Initial meetings have been held with ABS (the system supplier supporting organisations with the purge) however test Authorities have experienced difficulties undertaking the purge exercise. An update was provided confirming that a package of instructions to undertake the purge is being created due to difficulties in purging systems of test Authorities, further instruction is now required from ABS., at which point a business case to plan and approve the exercise and gain the resources to undertake the work is to be developed. The purge on the system could be a lengthy process due to the amount of historic data and how it is stored on the Council's systems, which is a risk to the Council. As this is work in progress by the team a recommendation has not been raised but this issues is recognised.

There is currently no requirement for authorisation to be obtained in order to place an account on hold, there are only two staff members who are able to carry out this function and therefore putting this control in place would not provide adequate mitigation of the risk posed. The Team Leader, Exchequer and Sundry Income, accepts the risks posed, hence a recommendation has not been raised. Audit testing of accounts on hold did not identify any specific issues of concern.

Previous audit recommendations

The previous report on Accounts Receivable (NN/16/11) was issued in March 2016, with a 'Substantial' assurance having raised one 'needs attention' recommendation, which has been confirmed as implemented as part of our separate follow up process.

The previous report on the Key Controls and Assurance (NN/17/10), was issued in March 2017, with a 'Substantial' opinion. The audit raised one needs attention recommendation relating to income, which has been implemented and verified as part of our separate follow up process.

Assurance Review of Risk Management

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Risk policy	0	0	2	0
Total	0	0	2	0

No recommendations have been raised in respect of Embedded, Effective, Escalated and Recorded Risk Management.

SCOPE

The objective of the audit was to review the systems and controls in place within Risk Management, to ensure they are operating adequately, effectively and efficiently.

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 two 'needs attention' recommendations being raised upon the conclusion of our work.
- The previous report on Risk Management (NN/16/03) was issued in November 2015 and concluded in a 'Reasonable' assurance opinion. This indicates a positive direction of travel and that the system of controls has improved since the previous audit.

POSITIVE FINDINGS

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

- Service plans and associated risks are reviewed on a six monthly basis to ensure that all risks are captured and accurately scored and are monitored.
- Risks are assigned to key officers, responsible for monitoring and reducing the impact of these risks, thereby ensuring all risks are managed effectively.
- Training is provided to risk owners and to Members through the induction programme, thereby ensuring those responsible for managing risks are fully aware of the risk management process.
- The corporate risk register is monitored and updated by senior management through the Risk Management Board and by members of the Governance, Risk and Audit Committee. This helps to ensure that the greatest risks to the Council are identified and actions are taken to mitigate them.

ISSUES TO BE ADDRESSED

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

Risk policy

- The Risk Management Framework and Corporate Risk Register on the Council's website need replacing with the current versions, in order to reduce the risk of outdated arrangements being published.
- Responsibilities within the Risk Management Framework are to be updated to reflect current arrangements, to reduce the risk of confusion over roles and responsibilities.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

The previous report for Risk Management (NN/16/03) was issued in November 2015 with a Reasonable assurance opinion having raised two 'important' and two 'needs attention' recommendations. All four of these recommendations have been confirmed as implemented through internal audit's cyclical follow up checks.

Assurance Review of the C3 Contact Management System

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Access Controls	0	1	2	1
Backup & Recovery	0	0	0	1
Total	0	1	2	2

No recommendations were raised in the areas of Data Input, Processing & Output, Interfaces, Management Trails and Support Arrangements & Change Controls.

SCOPE

This new system was implemented in mid-2017 and this IT audit review has been undertaken to help provide assurance over the controls that are in place to manage it.

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 one 'important' and two 'needs attention' recommendations being raised upon the conclusion of our work.
- The audit has also raised two 'operational effectiveness matters', 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:

- Designated system administrators are in place with adequate absence cover to help ensure that local system administration support is available at all times.
- The application incorporates adequate audit trails to track the history of all customer contact events that are being recorded. Audit trails help ensure that any issues with customer contact events can be resolved in a timely manner.
- The application is adequately supported by the vendor. The support helps to ensure that the application is updated and generally aligned to changing requirements.
- The application has been incorporated into the Council's regular corporate backup process and is being backed up on a regular basis to help ensure that the application can be recovered in a timely manner following an incident.
- The application has not undergone any upgrades since its implementation, although the presence of appropriate change control processes to manage future changes was noted. Adequate change controls help to ensure consistent deployment of tested changes to the application.

ISSUES TO BE ADDRESSED

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

Access Controls

- A review of all Administrator and Agent accounts is required to reduce the risk that the data processed by the application is compromised and ensure that access is aligned to the job role requirements.

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

Access Controls

- There is a need to work with the provider of the application to understand the strategy behind the password configuration, with a view to improving password controls to reduce the risk to the integrity of the application.
- Should the application vendor not be looking to enhance password controls in a future release, there is a need to implement a policy requirement for users to change passwords manually on a periodic basis to ensure these are appropriately configured.

Operational Effectiveness Matters

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

- The need to ensure that the "Next Review Date" shown on the Customer Services Business Continuity Plan is updated to reflect the fact that the plan has undergone some review since C3 was implemented in mid-2017.
- Should the application vendor not be looking to enhance password controls in a future release, there is a need to ensure that the risk posed by the weak password controls available in C3 are reported and managed appropriately.

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

Strategic and Annual Internal Audit Plans 2018/19

Summary:

This report provides an overview of the stages followed prior to the formulation of the Strategic Internal Audit Plan for 2018/19 to 2020/21 and the Annual Internal Audit Plan for 2018/19. The Annual Internal Audit Plan will then serve as the work programme for the Council's Internal Audit Services Contractor; TIAA Ltd. It will also provide the basis for the Annual Audit Opinion on the overall adequacy and effectiveness of North Norfolk District Council's framework of governance, risk management and control.

Conclusions:

The attached report provides the Council with Internal Audit Plans that will ensure key business risks will be addressed by Internal Audit, thus ensuring that appropriate controls are in place to mitigate such risks and also ensure that the appropriate and proportionate level of action is taken.

Recommendations:

It is recommended that the Committee notes and approves:

- a) the Internal Audit Strategy for 2018/19;
- b) the Strategic Internal Audit Plans 2018/19 to 2020/21; and
- c) the Annual Internal Audit Plan 2018/19.

Cabinet member(s):

All

Contact Officer, telephone number,
and e-mail:

Ward(s) affected:

All

Emma Hodds, Head of Internal Audit for North Norfolk DC
01508 533791, ehodds@s-norfolk.gov.uk

1. Background

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

1.2 Those standards are set out in the Public Sector Internal Audit Standards (PSIAS) which came into effect in April 2013

2. Overall Position

2.1 The attached report contains;

- the Internal Audit Strategy, which is a strategic high level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities;
- the Strategic Internal Audit Plan, which details the plan of work for the next 3 financial years;
- the Annual Internal Audit Plan, which details the timing and the purpose of each audit agreed for inclusion in 2018/19; and
- provides the Committee with the performance measures against which the contractor will be monitored.

3. Conclusion

3.1 The attached report provides the Council with Internal Audit Plans that will ensure key business risks will be addressed by Internal Audit, thus ensuring that appropriate controls are in place to mitigate such risks and also ensure that the appropriate and proportionate level of action is taken.

4. Recommendation

4.1 It is recommended that the Committee notes and approves:

- a) the Internal Audit Strategy for 2018/19;
- c) the Strategic Internal Audit Plans 2018/19 to 2020/21; and
- d) the Annual Internal Audit Plan 2018/19.

Appendices attached to this report:

Strategic and Annual Internal Audit Plans 2018/19

Eastern Internal Audit Services



NORTH NORFOLK DISTRICT COUNCIL

Strategic and Annual Internal Audit Plans 2018/19

Responsible Officer: Head of Internal Audit for North Norfolk District Council

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1. INTRODUCTION

- 1.1 The Accounts and Audit Regulations 2015 require that “a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.
- 1.2 The Public Sector Internal Audit Standards (PSIAS) mandate a periodic preparation of a risk-based plan, which must incorporate or be linked to a strategic high-level statement on how the internal audit service will be delivered and developed in accordance with the charter and how it links to the organisational objectives and priorities, this is set out in the Internal Audit Strategy.
- 1.3 Risk is defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives'. Risk can be a positive and negative aspect, so as well as managing things that could have an adverse impact (downside risk) it is also important to look at potential benefits (upside risk).
- 1.4 The development of a risk-based plan takes into account the organisation's risk management framework. The process identifies the assurance (and consulting) assignments for a specific period, by identifying and prioritising all those areas on which objective assurance is required. This is then also applied when carrying out individual risk based assignments to provide assurance on part of the risk management framework, including the mitigation of individual or groups of risks.
- 1.5 The following factors are also taken into account when developing the internal audit plan:
 - Any declarations of interest so as to avoid conflicts of interest;
 - The requirements of the use of specialists e.g. IT auditors;
 - Striking the right balance over the range of reviews needing to be delivered, for example systems and risk based reviews, specific key controls testing, value for money and added value reviews;
 - The relative risk maturity of the Council;
 - Allowing contingency time to undertake ad-hoc reviews or fraud investigations as necessary;
 - The time required to carry out the audit planning process effectively as well as regular reporting to and attendance at the Governance, Risk and Audit Committee, the development of the annual report and opinion and the Quality Assurance and Improvement Programme.
- 1.6 In accordance with best practice the Governance, Risk and Audit Committee should ‘*review and assess the annual internal audit work plan*’.

2. AUDIT CHARTER

- 2.1 The Internal Audit Charter (the Charter) was developed as part of the planning process in 2014/15 and incorporated the requirements of the PSIAS, this was updated in 2015/16 to more accurately reflect the working arrangements with the Internal Audit Contractor – TIAA Ltd.
- 2.2 The Charter was updated in 2017 to also reflect the new Internal Professional Practices Framework (IPPF) and PSIAS – and in particular the mission statement and core principles. The Charter now also more explicitly includes reference to the mandatory nature of the Core

Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and the International Standards.

2.3 There is an obligation under the PSIAS for the Charter to be periodically reviewed and presented. This Charter is therefore reviewed annually by the Head of Internal Audit to confirm its ongoing validity and completeness, and presented to the Section 151 Officer, Senior Management and the Governance, Risk and Audit Committee every 2 years, or as required for review.

2.4 As part of this 2018 annual review, we have made some minor changes to the wording within the Charter as a result of updates included within the PSIAS issued in April 2017. The only key changes that have been made is the addition of two further paragraphs at sections:

3.2.4 - Where the Head of Internal Audit has responsibilities that fall outside of internal auditing, safeguards are in place to limit impairments to independence or objectivity.

8.2 The Head of Internal Audit consults with senior management and the Governance, Risk and Audit Committee and obtains an understanding of the Council's strategies, key business objectives, associated risks and risk management processes.

2.5 As part of the review of the Audit Charter the Code of Ethics are also reviewed by the Head of Internal Audit, and it is ensured that the Internal Audit Services contractor staff, as well as the Head of Internal Audit adhere to these, specifically with regard to; integrity, objectivity, confidentiality and competency. Formal sign off to acceptance of the Code of Ethics is retained by the Head of Internal Audit.

3. INTERNAL AUDIT STRATEGY

3.1 The purpose of the Internal Audit Strategy (**see Appendix 1**) is to confirm:

- How internal audit services will be delivered;
- How internal audit services will be developed in accordance with the internal audit charter;
- How internal audit services links to organisational objectives and priorities; and
- How the internal audit resource requirements have been assessed.

4. STRATEGIC INTERNAL AUDIT PLAN

4.1 The overarching objective of the Strategic Internal Audit Plan (**see Appendix 2**) is to provide a comprehensive programme of review work over the next three years, with each year providing sufficient audit coverage to give annual opinions, which can be used to inform the organisation's Annual Governance Statement.

4.2 The coverage over the forthcoming three years has been discussed with senior management to ensure that audits are undertaken at the right time and at a time where value can be added. The discussions also went into greater detail in relation to the scope of the audits for the forthcoming year.

5. ANNUAL INTERNAL AUDIT PLAN

5.1 Having developed the Strategic Internal Audit Plan, the Annual Internal Audit Plan is an extract of this for the forthcoming financial year (**see Appendix 3**). This details the areas

being reviewed by Internal Audit, the number of days for each review, the quarter during which the audit will take place and a brief summary / purpose of the review.

5.2 The Annual Internal Audit Plan for 2018/19 totals 181 days, encompassing:

- 12 assignments which will conclude in an audit opinion, and
- Two IT audits.

5.3 Audit verification work concerning audit recommendations implemented to improve the Council's internal control environment will also be undertaken throughout the financial year.

6. PERFORMANCE MANAGEMENT

6.1 The Internal Audit Services contract includes a suite of key performance indicators (**see Appendix 5**) against which the new contractor will be reviewed on a quarterly basis. There are a total of 11 indicators, over 4 areas.

6.2 There are individual requirements for performance in relation to each indicator; however performance will be assessed on an overall basis as follows (for the first year):

- 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 and agreed with the contractor to ensure that appropriate action is taken.

6.3 Performance in relation to these indicators will be reported to the Committee as part of the Progress Reports and the Annual Report and Opinion, ensuring that Members are kept up to date on a regular basis.

EASTERN INTERNAL AUDIT SERVICES NORTH NORFOLK DISTRICT COUNCIL

INTERNAL AUDIT STRATEGY FOR 2018/19

1. Introduction

- 1.1 The Internal Audit Strategy is a high-level statement of;
- how the internal audit service will be delivered;
 - how internal audit services will be developed in accordance with the internal audit charter;
 - how internal audit services links to the organisational objectives and priorities; and
 - how the internal audit resource requirements have been assessed.

The provision of such a strategy is set out in the Public Sector Internal Audit Standards (the standards).

- 1.2 The purpose of the strategy is to provide a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.

2. How the internal audit service will be delivered

- 2.1 The Role of the Head of Internal Audit and contract management is provided by South Norfolk Council to; Breckland, Broadland, North Norfolk, South Holland and South Norfolk District Councils, Great Yarmouth Borough Council and The Broads Authority. All Authorities are bound by a Partnership Agreement.
- 2.2 The delivery of the internal audit plans for each Authority is provided by an external audit contractor, who reports directly to the Head of Internal Audit. The current contract is with TIAA Ltd, and commenced on 1 April 2015, for an initial period of 5 years.

3. How internal audit services will be developed in accordance with the internal audit charter

3.1 Internal Audit objective and outcomes

- 3.1.1 Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Authority's operations. It helps the Authority accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 3.1.2 The outcomes of the internal audit service are detailed in the Internal Audit Charter and can be summarised as; delivering a risk based audit plan in a professional, independent manner, to provide the Authority with an opinion on the level of assurance it can place upon the internal control environment, systems of risk management and corporate governance arrangements, and to make recommendations to improve these provisions, where further development would be beneficial.

- 3.1.3 The reporting of the outcomes from internal audit is through direct reports to senior management in respect of the areas reviewed under their remit, in the form of an audit report. The Governance, Risk and Audit Committee and the Section 151 Officer also receive:
- The Audit Plans Report, which is risk based and forms the next financial year's plan of work;
 - The Progress Reports which provide summaries of the work achieved throughout the year and the individual opinions awarded on conclusion of reviews;
 - The Follow Up Reports which detail the level of management action taken in respect of agreed internal audit recommendations; and
 - The Annual Report and Opinion on the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

3.2 Internal Audit Planning

- 3.2.1 A risk-based internal audit plan (RBIA) is established in consultation with senior management that identifies where assurance and consultancy is required.
- 3.2.2 The audit plan establishes a link between the proposed audit areas and the priorities and risks of the Authority taking into account:
- Stakeholder expectations, and feedback from senior and operational managers;
 - Objectives set in the strategic plan and business plans;
 - Risk maturity in the organisation to provide an indication of the reliability of risk registers;
 - Management's identification and response to risk, including risk mitigation strategies and levels of residual risk;
 - Legal and regulatory requirements;
 - The audit universe – all the audits that could be performed; and
 - Previous IA plans and the results of audit engagements.
- 3.2.3 In order to ensure that the internal audit service adds value to the Authority, assurance should be provided that major business risks are being managed appropriately, along with providing assurance over the system of internal control, risk management and governance processes.
- 3.2.4 Risk based internal audit planning starts with the Authority's Business Plan, linking through to the priority areas and the related high-level objectives. The focus is then on the risks, and opportunities, that may hinder, or help, the achievement of the objectives. The approach also focuses on the upcoming projects and developments for the Authority.
- 3.2.5 The approach ensures; better and earlier identification of risks and increased ability to control them; greater coherence with the Authority's priorities; an opportunity to engage with stakeholders; the Committee and Senior Management better understand how the internal audit service helps to accomplish its objectives; and this ensures that best practice is followed.
- 3.2.6 The key distinction with establishing plans derived from a risk based internal audit approach is that the focus should be to understand and analyse management's assessment of risk and to base audit plans and efforts around that process.
- 3.2.7 Consultation with the Section 151 Officer and Senior Management takes place through specific meetings during which current and future developments, changes, risks and areas of concern are discussed and the plan amended accordingly to take these into account.

3.2.8 The outcome of this populates a strategic internal audit plan, and the resulting annual internal audit plan, which are discussed with and approved by the Corporate Leadership Team, prior to these being brought to the Governance, Risk and Audit Committee. In addition, External Audit is also provided with early sight of the plans.

3.3 Internal Audit Annual Opinion

3.3.1 The annual opinion provides Senior Management and the Governance, Risk and Audit Committee with an assessment of the overall adequacy and effectiveness of the Authority's framework of governance, risk management and control.

3.3.2 The opinion is based upon:

- The summary of the internal audit work carried out;
- The follow up of management action taken to ensure implementation of agreed action as at financial year end;
- Any reliance placed upon third party assurances;
- Any issues that are deemed particularly relevant to the Annual Governance Statement (AGS);
- The Annual Review of the Effectiveness of Internal Audit, which includes;
 - A statement on conformance with the standards and the results of any quality assurance and improvement programme,
 - the outcomes of the performance indicators and
 - the degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

3.3.3 In order to achieve the above internal audit operates within the standards and uses a risk based approach to audit planning and to each audit assignment undertaken. The control environment for each audit area reviewed is assessed for its adequacy and effectiveness of the controls and an assurance rating applied.

4. **How internal audit services links to the organisational objectives and priorities**

4.1 In addition to the approach taken as outlined in section 3.2 (Internal Audit Planning), which ensures that the service links to the organisations objectives and priorities and thereby through the risk based approach adds value, internal audit also ensure an awareness is maintained of local and national Issues and risks.

4.2 The annual audit planning process ensures that new or emerging risks are identified and considered at a local level. This strategy ensures that the planning process is all encompassing and reviews the records held by the Authority in respect of risks and issue logs and registers, reports that are taken through the Authority Committee meetings, and through extensive discussions with senior management.

4.3 Awareness of national issues is maintained through the contract in place with the external internal audit provider through regular "horizon scanning" updates, and annually a particular focus provided on issues to be considered during the planning process. Membership and subscription to professional bodies such as the Institute of Internal Auditors and the CIPFA on-line query service, liaison with External Audit, and networking with, all help to ensure developments are noted and incorporated where appropriate.

5. **How internal audit resource requirements have been assessed**

5.1 Through utilising an external audit contractor the risk based internal audit plan can be developed without having to take into account the existing resources, as you would with an

in-house team, thus ensuring that audit coverage for the year is appropriate to the Authority's needs and not tied to a particular resource.

- 5.2 That said a core team of staff is provided to deliver the audit plan, and these staff bring with them considerable public sector knowledge and experience. These core staff can be supplemented with additional staff should the audit plan require it, and in addition specialists, e.g. computer auditors, contract auditor, fraud specialists, can be drafted in to assist in completing the internal audit plan and focusing on particular areas of specialism.
- 5.3 All audit professionals are encouraged to continually develop their skills and knowledge through various training routes; formal courses of study, in-house training, seminars and webinars. As part of the contract with TIAA Ltd the contractor needs to ensure that each member of staff completes a day's training per quarter.

APPENDIX 2 – STRATEGIC INTERNAL AUDIT PLAN

Audit Area	Last review & assurance	Associated Risk	2018/19	2019/20	2020/21
Annual Opinion and Corporate audits					
Corporate Governance	2016/17 - Reasonable	High	6		6
Risk Management	2017/18 - Audit Due	High		6	
Key Controls and Assurance	2016/17 - Substantial 2017/18 - Audit Due	High	10	15	10
Performance Management, Corporate Policy and Business Planning (includes action plans)	2017/18 - Substantial	Medium			10
Digital Transformation - benefits realisation	New audit area	Medium	6		
Elections and Electoral Registration	2014/15 - Substantial	Medium	12		
Fundamental Financial Systems					
Accountancy Services includes control accounts, banking, bank reconciliation, asset management / capital expenditure, budgetary control and treasury management	2017/18 - Substantial	High		16	
Accounts Payable (insurance)	2016/17 - Reasonable	High	12		12
Accounts Receivable	2017/18 - Reasonable	High		10	
Income	2017/18 - Substantial	High		7	
Council Tax and National Non-Domestic Rates	2016/17 - Substantial	High	15		15
Local Council Tax Support and Housing Benefits	2016/17 - Substantial	High	15		15
Payroll and Human Resources includes member and officer expenses	2016/17 - Reasonable	High	17		17
Cross Authority Review - Payroll and Human Resources	Specific review				

Audit Area	Last review & assurance	Associated Risk	2018/19	2019/20	2020/21
Service Area audits					
Procurement	2014/15 - Reasonable 2017/18 - Audit Due	Medium		10	
Property Services	2016/17 - Substantial	Medium		12	
Economic Growth	2013/14 - Reasonable	Medium			
Early Help Hub	New audit area	High		10	
Coastal Management	2014/15 - Reasonable	Medium		4	
Housing Strategy and Affordable Housing, including housing enabling and empty properties	2015/16 - Reasonable	Medium	10		
Private Sector Housing includes DFGs and discretionary grants	2016/17 - Reasonable	Medium		10	
Sports Halls	2014/15 - Reasonable	Medium		12	
Leisure	2015/16 - Reasonable	Medium		10	
Pier Pavilion	2015/16 - Reasonable	Medium	10		
Car Parking	2017/18 - Reasonable	High		10	
Markets	2016/17 - Substantial	Medium		6	
Parks and Open Spaces and Woodland Management	2015/16 - Reasonable	Medium		10	
Beach Huts	2017/18 - Reasonable	Medium			8
Homelessness and Housing Options	2015/16 - Reasonable	Medium	10		10
Democratic Services	2016/17 - Reasonable	Low			8
Waste Management including contract / agreement monitoring, income collection & monitoring, refuse collection, street cleansing, recycling, clinical waste, abandoned vehicles and grounds maintenance	2017/18 - Audit Due	High			17
Environmental Health includes emergency planning, food safety, environmental protection, pest control, dog warden, licensing and pollution control	2017/18 - Reasonable	Medium	18		18
Building Control	2017/18 - Substantial	High			7
Land Charges	2017/18 - Reasonable	Medium			7
Development Management includes planning applications	2017/18 - Audit Due	Medium		8	
Section 106 Arrangements	New specific area	Medium		12	

Audit Area	Last review & assurance	Associated Risk	2018/19	2019/20	2020/21
ICT Audits					
Network Infrastructure and Security	2014/15 - Limited	High	15		
Business Support Arrangements	New area	Medium	15		
Audits to be confirmed				30	30
Follow Up of audit recommendations					
Follow up - internal audit recommendations			10	10	10
Total number of days			185	208	210

APPENDIX 3 – ANNUAL INTERNAL AUDIT PLAN

Audit Area	No of days	Q1	Q2	Q3	Q4	Notes
Annual Opinion / Governance audits						
Corporate Governance	6				6	Governance arrangements are reviewed every other year at the Council to ensure that the arrangements in place remain robust.
Key Controls and Assurance	10				10	This is an annual review of key controls that feed into the Statement of Accounts, for those systems not subject to an audit review within year. This will cover; Accountancy Services, Accounts Receivable, Income and the assurance framework.
Digital Transformation - benefits realisation	6		6			The Digital Transformation Plan has a level of scrutiny in place, along with governance arrangements. The Council has recently agreed to move this to phase two and this review will look at the benefits realised to date and also look to validate the future plans, the projects that are to be developed and also that the programme is sufficiently resourced.
Elections and Electoral Registration	12		12			The scope will cover; Electoral Registration (Electoral Register completeness and accuracy, Register security, Annual Household Enquiry Forms and Canvasser payment authorisation, coding and recording) and Elections (Election expenditure is in accordance with relevant legislation, accurate, authorised and recovered from the County Council and that Statutory returns are completed to the Her Majesty's Revenues and Customs (HMRC) and electoral commission; and Controls over postal voting)

Audit Area	No of days	Q1	Q2	Q3	Q4	Notes
Fundamental Financial Systems						
Accounts Payable	12			12		The scope of this regular review will cover; raising & authorisation of purchase orders, receipt of goods, segregation of duties, authorisation of invoices, payment of invoices, new suppliers & changes to suppliers and reconciliation with the financial ledger.
Council Tax and National Non-Domestic Rates	15			15		The key areas within this service will be risk assessed and appropriate attention given to those areas, along with a review of the key controls. Potential areas include; valuation & billing records, billing, collection of income, suspense accounts, reconciliations, refunds & transfers, discounts, exemptions & reliefs, arrears recovery and write offs.
Local Council Tax Support and Housing Benefit	15			15		The key areas within this service will be risk assessed and appropriate attention given to those areas, along with a review of the key controls. Potential areas include; receipt & assessment of applications, payments, overpayments, arrears, write offs, backdated claims, discretionary payments, appeals and reconciliations.
Payroll and Human Resources	17				17	The audit will cover: policies & procedures, legislative requirements, starters & leavers, changes to payroll records, pension contributions, reconciliations and payroll processing. Other areas for review will be considered at the time of the detailed scoping meeting.

Audit Area	No of days	Q1	Q2	Q3	Q4	Notes
Service area audits						
Affordable Housing and Housing Enabling	10				10	A new team is in place and is being funded across three Councils (North Norfolk, King Lynn & West Norfolk and Breckland). Their role is to understand the housing needs and explore forms of community housing need. This is currently at the developmental stage and the team are in post for three years.
Pier Pavilion	10		10			A new contract was awarded from the 1 February 2018 (with the same provider), there are new schedules and communication protocols that need to be adhered to. The review will cover contract management and the governance arrangements to gain early assurance over the controls in place.
Homelessness and Housing Options	10		10			This audit will review this key service delivery area, particularly in light of the new Homelessness Reduction Act and also examine the resilience of the temporary accommodation available in the District and the long term plans in place to manage this.
Environmental Health	18				18	With the roll out of the new IT system, the implementation of the business process redesign work and the use of mobile devices, it is felt that a review of these key changes would be beneficial.

Audit Area	No of days	Q1	Q2	Q3	Q4	Notes
ICT Audits						
Network Infrastructure & Security	15			15		Network Infrastructure will focus on; system security, policies, audit settings, user accounts & passwords, logon scripts and user privileges. Network Security will focus on; administration, support, monitoring, routers and virus detection.
Business Support Arrangements	15	15				The Council has Application Administrators across the Council who are specialists on their particular system areas. This review will look at the resilience of this model and what succession planning is in place.
Follow Up - Internal Audit recommendations	10	2.5	2.5	2.5	2.5	Follow up of agreed internal audit recommendations to ensure that these have been appropriately addressed by management and the risks mitigated.
Total number of days	185	17.5	44.5	59.5	63.5	

APPENDIX 4 – 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

Summary Register

Risk	Ref.	Current Score	Target Score	Direction of Travel	Officer
Medium Term Financial Plan	015(CR)	20	12	↔	Duncan Ellis - Head of Finance and Assets
Coastal Erosion - (the effects of)	002(CR)	20	12	↔	Rob Goodliffe - Coastal Management Team Leader
Recruitment (inability)	024(CR)	15	9	Not applicable	TBC (Steve Blatch in the interim) – HR Manager
Digital Transformation Programme	003(CR)	12	8	↓	Nick Baker – Head of Paid Service
Procurement - (lack of value for money)	009(CR)	9	3	↔	Duncan Ellis - Head of Finance and Assets
Information - (loss of)	008(CR)	12	4	↔	Sean Kelly - Head of Business Transformation and IT
Property assets (the condition of)/ Asset Management	001(CR)	9	9	↔	Duncan Ellis - Head of Finance and Assets
Housing Delivery	010(CR)	6	6	↔	Nicola Turner - Strategic Housing Team Leader
Operational disruption - (significant event)	013(CR)	6	6	↔	Richard Cook - Civil Contingencies Manager, Steve Hems - Head of Environmental Health

Direction of travel shows change from assessment in Q1 2017/18 to Q2 2017/18.

KEY

Impact Type	Catastrophic - 5	Critical - 4	Moderate - 3	Marginal - 2	Negligible - 1
Objectives	The key objectives in the Corporate Plan will not be achieved.	One or more Key Objectives in the Corporate Plan will not be achieved.	Significant impact on the success of the Corporate Plan.	Some impact on more than one Service.	Insignificant impact on more than one Service.
Financial Impact (Loss)	Over £1m	£400K - £1m	£200K - £400K	£10K - £200K	£0-10K
Likelihood	Very High - 5	High - 4	Moderate - 3	Low - 2	Very Low - 1
Probability	Over 90%	60 - 90%	40 - 60%	10 - 40%	below 10%
Timing	Within six months	This year	Next year	Probably within 15 years	Probably over 15 years

Corporate Risk Register March 2018

Risk Management Board – March 2018

Risk	Existing Controls	Score	Action (to achieve target score) and progress to date	Target	Corporate	Officer
1. Cause of risk	Controls that have been	(with		core	Objective /	
2. Description of Risk or potential event	implemented since the last review	controls)		Impact x	Service	
3. Consequence of risk happening	are show in green	Impact x		Likelihood	Priority	
		Likelihood		Total		
		= Total				

Corporate Risk Register March 2018

Risk Management Board – March 2018

<p>Medium Term Financial Plan - 015(CR)</p> <p>1. Forecast funding reductions and shift to local financing from business rates, council tax and new homes bonus. The business rates retention system has shifted the risk of business rates fluctuations to the local level, meaning that Local Authority funding will be impacted directly from decline in business and also planned reductions to the revenue support grant and reliance on New Homes Bonus funding (top sliced from 2017/18) influenced by delivery of new homes and reductions in long term empty properties. Changes to the business rates retention scheme, now to 75% local retention in 2020/21.</p> <p>2. Failure to produce a balanced budget position and funded future projections in the medium term.</p> <p>3. The Corporate Plan may not be delivered to the identified timescales. The level of service currently provided could be at risk, unplanned use of reserves which is unsustainable in the longer term. Higher level of savings and additional income requirement in future years.</p>	<p>Policy work</p> <p>Lobbying Central Government</p> <p>Medium Term Financial Strategy (MTFS)</p> <p>Corporate Planning / Service Planning</p> <p>Budget Process / Budget Monitoring</p> <p>Regular monitoring system of the impact of the business rates retention and the localised council tax support system</p> <p>Utilisation of the New Homes Bonus grant within the base budget for 2017/18</p> <p>Annual review of the Councils reserves</p> <p>Reporting - New legislation and consultation</p> <p>Timely agreement of the annual Localised Council Tax Support Scheme</p> <p>Project Management Plans</p> <p>Short term budget surplus forecast (2018/19 c£0.8m)</p>	<p>5x4=20</p>	<p>Growth forecasting models to be developed for housing and business rates to inform future financial forecasts and budget.</p> <p>Early update of the Financial Strategy to inform the 2019/20 budget process – On track to be reported to Members in October.</p> <p>Impact of changes to the NHB scheme from 2017/18 now taken account of and built in to the 2018/19 budget and future projections.</p> <p>Action also proposed to improve long term empty property numbers with strong enforcement.</p> <p>Business cases for commercialisation of assets to deliver future income and efficiencies.</p> <p>The recent 2018/19 budget report highlighted the risks around the re-procurement of a new waste contract (currently estimated at up to £1m) and the ongoing national pay spine review (c£0.45m) and work is ongoing in relation to both of these areas.</p> <p>Similarly, the leisure contract is due to be re-let from April 2019 with anticipated savings being used to help finance the rebuilding of the leisure facilities in Sheringham although the</p>	<p>4x3=12</p>	<p>Delivering Service Excellence</p>	<p>Duncan Ellis - Head of Finance and Assets</p>
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Corporate Risk Register March 2018

Risk Management Board – March 2018

Risk 1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening	Existing Controls Controls that have been implemented since the last review are show in green	Score (with controls) Impact x Likelihood = Total	Action (to achieve target score) and progress to date	Target core Impact x Likelihood Total	Corporate Objective / Service Priority	Officer
			exact savings will not be known until the completion of the procurement process The position regarding recycling income from the joint venture arrangements with Norse is currently being monitored closely as income from paper cycling is declining rapidly following China’s new approach to the materials it accepts for recycling from 1 March 2018.			
			Continuing to monitor the position in relation to 75% business rates retention. Options for taking part in a countywide Business rates pilot for 2019/20 to be considered following the unsuccessful application for the 2018/19 pilots. Response to be submitted in relation to the Fair Funding review which needs to be completed by 12 March 2018.			

Risk 1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening	Existing Controls Controls that have been implemented since the last review are show in green	Score (with controls) Impact x Likelihood = Total	Action (to achieve target score) and progress to date	Target core Impact x Likelihood Total	Corporate Objective / Service Priority	Officer
<p>Coastal Erosion - (the effects of) - 002(CR)</p> <p>1. Lack of Government funding to maintain coast defences and / or to support local compensation claims</p> <p>2. Coastal erosion and blight of coastal settlements through loss of public and private infrastructure and assets. The Council has devoted significant resources to pursuing sustainable answers to coastal management issues. There is a considerable Health and Safety context here which serves to increase the reputational risk for the Council at the same time.</p> <p>3. Increased coastal erosion through loss of defences presents a reputational risk to the authority in the eyes of local communities and direct loss of Council owned assets / infrastructure which are fundamental to the district's tourism offer and therefore the economic well-being of the district. Loss of confidence in respect of business investment and residential property market; blight of properties in erosion zone; direct loss of tourism assets and infrastructure promenades, beach chalets, cafés, public toilets, car parks etc.; loss of tourism income / employment.</p>	<p>The Pathfinder Project</p> <p>Shoreline Management Plan (SMP)</p> <p>Repairs & Maintenance Programme</p> <p>Procurement practices</p> <p>Health & Safety checking and monitoring</p> <p>DEFRA funding of capital schemes</p> <p>Coast monitoring</p> <p>Control of coastal management schemes through procurement and regular checking</p> <p>Coastal Partnership</p>	5x4=20	<p>Cromer Sea Defence Works – On Track - Phase 1 completed. Phase 2 to be developed once coastal system has settled.</p> <p>£500k capital contribution agreed by Full Council on 16 November 2016 to support the joint Bacton and Walcott coastal management scheme. Scheme now almost fully funded with a project complete by end of 2020 which will provide significant defence to Bacton Gas Terminal and local coastal communities.</p> <p>The Council will highlight the importance of coastal defence funding in the consultation response to the Fair Funding review.</p>	4x3=12	Coast and Countryside	Rob Goodliffe - Coastal Management Team Leader

<p>Digital Transformation Board Monitoring Programme 003(CR)</p> <p>1. In order to achieve savings of c£350,000 revenue savings and at the same time improve Customer transactional services, DTP was commenced in January 2014. It has delivered a year early than planned more than £50,000 over and above what was originally planned. As a result, the DTP has now been increased for a further three years from April 2018 with a view to saving a further £250k pa.</p> <p>2. The programme has been built on a foundation of IT infrastructure changes which have allowed service BPR and subsequent efficiency and financial improvements</p> <p>3. The main risks of the programme is that they will not be able to deliver the same as anticipated and that there might be insufficient capacity within the Council to deliver the IT and Services changes required. In addition, there is the scope for some reluctance from staff and customers to adopt new methods of working. Further risk is the potential inability for the Council to recruit technical competent IT staff</p> <p>In the event of any of these risk becoming a reality then the anticipated savings may not be delivered</p>	<p>Digital Transformation Board monitoring projects progress</p> <p>Communications plan around the programme to ensure buy-in</p> <p>New IT, Customer Services and Communication strategies approved during 2017/18</p> <p>Protection against data loss and/or system hacking required under PSN compliance regime to which the Council is fully compliant</p> <p>Ensuring that HR policies reflect the need to recruit differently in difficult to recruit subject areas</p> <p>Staff development processes in order to maintain technical competence</p> <p>DTP progress reports are provided to Cabinet and O&S on a six monthly basis to enable Member oversight</p>	<p>4x3=12</p>	<p>Phase one is on track with many of the key technology enablers either in place or commissioned and in the implementation phase. Both service based and cross cutting service change initiatives are in progress to take advantage of the technology commissioned.</p> <p>The Major service BPR in Planning is being implemented and the BPR of the Environmental Health Service is progressing well with the outline business case to be considered shortly.</p> <p>Phase 2 of the DT programme was agreed as part of the 2018/19 budget process through allocation of a capital budget of £0.94m which is anticipated to generate net annual ongoing savings of c£0.216m once fully implemented.</p>	<p>2x4=8</p>	<p>Delivering Service Excellence</p>	<p>Nick Baker – Head of Paid Service</p>
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Corporate Risk Register March 2018

Risk Management Board – March 2018

Risk 1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening	Existing Controls Controls that have been implemented since the last review are show in green	Score (with controls) Impact x Likelihood = Total	Action (to achieve target score) and progress to date	Target core Impact x Likelihood Total	Corporate Objective / Service Priority	Officer
<p>Recruitment (inability) – 024(CR)</p> <p>1. Difficulty recruiting into key posts, particularly in Planning Services, Finance, IT, Assets and Revs and Bens. Reasons for this are partly down to the geographical remoteness of North Norfolk from the rest of the country and also down to a significant pay gap from some professional areas between private and public sector and between different localities within this sector</p> <p>2. Not able to recruit skills and knowledge to deliver plans – corporate plan, business transformation, planning performance and delivery etc. Increased stress levels on existing staff, Increased workload in HR of repeated recruitment exercises</p>	<p>Reviewed relocation policy</p> <p>Pay Policy has been updated to reflect Golden Hello’s’ and retention payments</p> <p>Market Pay Review report</p>	<p>3x5=15</p>	<p>Successful recruitment into key posts within Finance and Assets and Planning, IT and Revs and Bens during 2017.</p> <p>Market Pay Review report considered and agreed by Cabinet and Full Council in December 2017 in relation to increasing the pay bands by one spinal point accepted. Further work to be undertaken in relation to posts identified as being more than 10% adrift of the benchmarking undertaken.</p> <p>Rolling advert in place for Planning.</p>	<p>3x3=9</p>	<p>Delivering Service Excellence</p>	<p>HR Manager</p>
<p>Property assets - (the condition of) - 001(CR)</p> <p>1. A lack of investment and sound decision-making.</p> <p>2. Deteriorating property assets may lead to a loss of revenue and possible legal liability and increased maintenance costs.</p>	<p>Production and approval of the Asset Management Plan</p> <p>Adequate budget provision both from revenue and capital to support R&M works and capital investment improvements</p> <p>Asset condition surveys</p> <p>Compliance policies in place and up to date</p>	<p>3x3=9</p>	<p>Controlled risk.</p> <p>The updated Asset Management Plan (AMP) is due to be considered by Cabinet and Full Council in March 2018. A £2m Property Investment Fund has been provisionally allocated to help support the AMP as part of the 2018/19 budget process.</p>	<p>3x3=9</p>	<p>Delivering Service Excellence</p>	<p>Duncan Ellis – Head of Finance and Assets</p>

Corporate Risk Register March 2018

Risk Management Board – March 2018

Risk 1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening	Existing Controls Controls that have been implemented since the last review are show in green	Score (with controls) Impact x Likelihood = Total	Action (to achieve target score) and progress to date	Target core Impact x Likelihood Total	Corporate Objective / Service Priority	Officer
<p>3. The Council does not achieve value for money from its investment and/or possible legal liabilities either directly or through its leasing arrangements.</p> <p>4. Reduced potential for asset commercialisation opportunities if assets are not properly maintained.</p> <p>5. Reputation risk to Council of poorly maintained assets from residents and visitors alike.</p> <p>This scenario is detrimental to the local tourism economy as well as damaging to local communities contributing to a lack of community pride and possible increase in vandalism. The capital tied up in assets cannot be released to support wider Council initiatives and income streams are not maximised.</p>	<p>Compliance works undertaken in a timely fashion</p> <p>Adequate staff or appropriately qualified external contractor support</p> <p>Procure a Strategic Development Partner to provide further capacity and to help achieve asset commercialization agenda</p> <p>Production of business cases to support asset development improvements and commercialisation</p>		<p>Detailed revenue and capital budget monitoring procedures in place to track and monitor spend.</p> <p>Rolling asset condition surveys continue to be undertaken to ensure that the R&M schedules remain up to date.</p> <p>Various policies are in place to help manage property risks and risk assessment inspections and review works continue to be developed and improved. Regular routine inspections take place on all of the Council’s car parks for example to review, monitor and help manage a number of risks and these visits are logged on Concerto to help provide an audit trail. Work is underway to procure a new contract to support electrical call outs and a further process will be undertaken to help support reactive maintenance requirements, both of which should be in place by the summer of 2018.</p> <p>Following a tender process Gleeds Property & Construction Consultants were successfully</p>			

Corporate Risk Register March 2018

Risk Management Board – March 2018

Risk 1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening	Existing Controls Controls that have been implemented since the last review are show in green	Score (with controls) Impact x Likelihood = Total	Action (to achieve target score) and progress to date	Target core Impact x Likelihood Total	Corporate Objective / Service Priority	Officer
			awarded the contract for our Strategic Asset Development Partner. A report is expected to come forward in relation to the Beach Road proposals at Wells-next-the-Sea by the summer of 2018 and Council continues to negotiate with a potential new tenant for Grove Lane in Holt. It is anticipated that a new surveyor will be in post from April 2018. A number of new concessions have been identified for the 2018/19 financial year anticipated to generate around £50k per annum.			
Procurement - (lack of value for money) - 009(CR) 1. The current financial climate, recent resourcing issues causing an absence of a focus for this work, together with a reduction in the available accountancy resources going forward increase the risk of a lack of continuous improvement in this area. 2. Failure to adopt new procurement practices and delivery of efficient and timely procurement processes could mean that the Council will not achieve value for money procuring the goods and services it uses.	Procurement Strategy Procurement Framework Joint procurement protocol and opportunities for joint/shared procurement with other authorities where possible Advice for external suppliers Procurement responsibility assigned to the Chief Accountant	3x3=9	Regular procurement refresh and review of procedures. The Procurement Strategy is due to be updated during 2018 along with a review of the Contract Standing Orders. New Procurement Officer post appointed in September 2017. E-procurement in place and being managed by the new Procurement Officer Procurement audit due during March 2018.	3x1=3	Delivering Service Excellence	Duncan Ellis – Head of Finance and Assets

Corporate Risk Register March 2018

Risk Management Board – March 2018

Risk 1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening	Existing Controls Controls that have been implemented since the last review are show in green	Score (with controls) Impact x Likelihood = Total	Action (to achieve target score) and progress to date	Target core Impact x Likelihood Total	Corporate Objective / Service Priority	Officer
<p>3. The Council may not achieve value for money, financial/procedural inefficiencies possible challenge to contracting procedures.</p>			<p>Work in relation to the new waste contract and the leisure contract is ongoing along with the provision of the new leisure facilities at Sheringham (swimming pool) and the Community Sports Hub at Cromer (tennis). These schemes are covered by individual Member boards and have their own separate risk registers.</p>			

Corporate Risk Register March 2018

Risk Management Board – March 2018

Risk 1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening	Existing Controls Controls that have been implemented since the last review are show in green	Score (with controls) Impact x Likelihood = Total	Action (to achieve target score) and progress to date	Target core Impact x Likelihood Total	Corporate Objective / Service Priority	Officer
<p>Information - (loss of) - 008(CR)</p> <p>1. With our increasing dependence on IT systems to undertake normal business, the risk of information or data loss or external hacking of the Council's systems, also increases. With the increased use of mobile technology, the risk for information loss also increases.</p> <p>2. There exists an inherent potential for the loss of organisational information at any security level. There is a joint responsibility between the IT service, the Council service and individuals for ensuring electronic data and information remains secure.</p> <p>3. Information may be inappropriately used or accessed. Fraud or data corruption may occur. Systems may suffer damage. The Council's reputation may be harmed and the Council may suffer financial penalties for claims in respect of loss data.</p>	<p>IT Strategy 2017/2021 (Jen to check date)</p> <p>IT Security Policies</p> <p>Implementation of data security protocols</p> <p>IT Monitoring</p> <p>Data Protection training</p> <p>PSN Code of Connection compliance</p> <p>Regular audits of IT security arrangements</p> <p>Regular 3rd party data protection and integrity testing</p> <p>Information security and data protection training - Implemented</p>	<p>4x3=12</p>	<p>Interim generic information on information security and data protection to be shared with staff through intranet. – On Track - Has been mitigated by the implementation of the e-learning system which has some InfoSec content. All posts with a requirement for increased awareness have been identified and an appropriate learning plan implemented. Staff are currently undertaking training.</p> <p>Senior Information Risk Officer, FOI and Data Protection Reports - Good outcome from Audit, advised by Internal Auditor. A new Information Risk Policy was drafted in January to support the SIRO role. The Risk Management report completed in February 20018 also received a substantial assurance.</p> <p>First local authority to receive full GCSX compliance for web access to e-mail.</p> <p>Ensure all staff have completed training.</p> <p>Review and update IT Security Policy.</p>	<p>4x2=8</p>	<p>Delivering Service Excellence</p>	<p>Sean Kelly - Head of Business Transformation and IT</p>

Corporate Risk Register March 2018

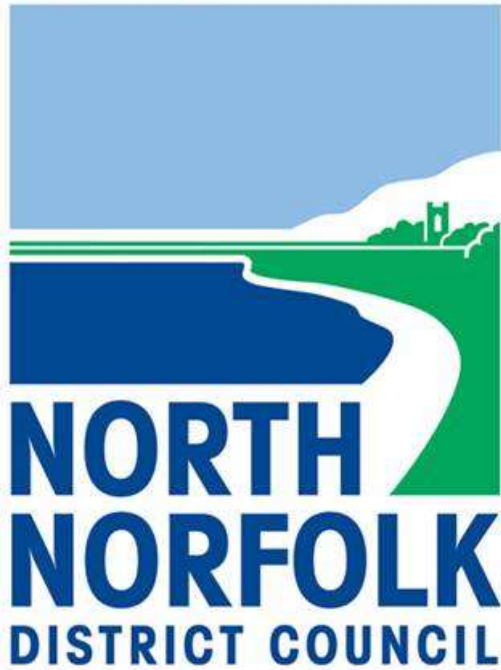
Risk Management Board – March 2018

Risk 1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening	Existing Controls Controls that have been implemented since the last review are show in green	Score (with controls) Impact x Likelihood = Total	Action (to achieve target score) and progress to date	Target core Impact x Likelihood Total	Corporate Objective / Service Priority	Officer
<p>Housing Delivery - 010(CR)</p> <p>1. A combination of lack of developer confidence because of recession / weak financial markets and pressure on public finances meaning reduced availability of grant funding for affordable housing provision.</p> <p>2. Inability to secure planning permission for provision of affordable housing.</p> <p>3. A challenge over the Council's ability to deliver sufficient affordable homes</p> <p>4. Loss of longstanding temporary accommodation in the district</p> <p>5. Short term accommodation cannot be provided which will increase use of Bed and Breakfasts and inability to complete a statutory function</p>	<p>Use of capital</p> <p>Partnership work with Registered Providers</p> <p>Local Investment Plan</p> <p>Local Development Framework (LDF) policies</p> <p>Internal planning protocol</p> <p>Increased Focus</p> <p>Housing Strategy discussion document (2010)</p> <p>Enhance Housing Association delivery</p>	<p>3 x 2 = 6</p>	<p>All controls are implemented and risk is currently under control, to be reviewed every six months.</p> <p>To re-draft Housing Delivery (SB).</p> <p>Strategy to address Identify alternative sources Housing Association – commission flats through risk partners.</p> <p>Cabinet report in December 2016 for immediate provision of a capital bid for a longer term provision as part of budget.</p> <p>Consideration of alternative solutions to help address point 5 is ongoing</p> <p>Community Housing Fund allocation of £2.4m announced in December 2016.</p>	<p>3 x 2 = 6</p>	<p>Housing and Infrastructure</p>	<p>Nicola Turner - Housing Team Leader - Strategy</p>

Corporate Risk Register March 2018

Risk Management Board – March 2018

Risk 1. Cause of risk 2. Description of Risk or potential event 3. Consequence of risk happening	Existing Controls Controls that have been implemented since the last review are show in green	Score (with controls) Impact x Likelihood = Total	Action (to achieve target score) and progress to date	Target core Impact x Likelihood Total	Corporate Objective / Service Priority	Officer
<p>Operational disruption - (significant event) - 013(CR)</p> <p>1. Both the National, Local and Community Risk Registers have more information regarding the risk of specific events occurring.</p> <p>2. Any Internal or external event that has a significant impact on the ability of the Council to deliver services.</p> <p>3. a) Loss of staff for 'usual' service delivery b) Loss of premises c) Loss of key partners/suppliers d) Loss of infrastructure services</p> <p>A reduction in the ability of the Council to deliver services, possibly at a time of increased demand from the community.</p>	<p>Emergency Response & Recovery Planning</p> <p>Business Continuity Planning</p> <p>Corporate Business Continuity key role training</p> <p>Critical Services Business Continuity Plans completed</p>	<p>3x2=6</p>	<p>All controls are implemented and risk is currently under control, to be reviewed every six months.</p> <p>Cromer office generator</p> <p>Disaster Recovery Suite in place at Fakenham.</p> <p>Generator tested.</p> <p>Agile working Policy now live with 70 plus employees having remote access and mobile devices to access Council systems.</p> <p>Increased numbers of staff trained for emergency response and recovery.</p> <p>January 2017 storm surge recovery largely complete, well managed response.</p> <p>Good Council response during recent bad weather incident Feb/March 2018. This allowed the Cromer office building to be managed with a skeleton staff with some 70 members of staff maintaining Council services via mobile working solutions.</p>	<p>3x2=6</p>	<p>Delivering Service Excellence</p>	<p>Richard Cook - Civil Contingencies Manager,</p> <p>Steve Hems - Head of Environmental Health</p>



Risk Management Policy and Framework

March 2018

Version 1.04

(Update for Governance, Risk and Audit Committee – March 2018)

Foreword

The fundamental principles adopted by the Council on Risk Management are described within the policy statement on Risk Management.

Adopting and implementing the strategy detailed below will achieve compliance with the policy.

Internal Audit has just completed the Assurance Review of Risk Management, the objective of the audit was to review the systems and controls in place within Risk Management, to ensure they are operating adequately, effectively and efficiently.

The audit concluded that the systems and processes of internal control are deemed 'Substantial' in managing the risks associated with the audit. The previous report on Risk Management (NN/16/03) was issued in November 2015 and concluded in a 'Reasonable' assurance opinion. This indicates a positive direction of travel and that the system of controls has improved since the previous audit.

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Need to consider inclusion of new SIRO protocol etc as drafted by Emma

Policy Statement

This policy will take effect from the date of approval (Governance, Risk and Audit Committee). It is the policy of the Council to adopt a proactive approach, through its management processes, to risk management of the services it delivers both for itself and in partnership with others.

It is recognised that a certain amount of risk is necessary and indeed that it can be a positive force in the development of the services we provide. However, this needs to be managed in order to: -

- Safeguard our clients or service users, Members and employees and all other persons to whom the Council has a duty of care
- Ensure compliance with statutory obligations
- Preserve and enhance service delivery
- Protect our property, including buildings, equipment, vehicles and all other assets and resources
- Maintain effective control of public funds
- Protect and promote the reputation of the Council
- Support the quality of the environment
- Achieve the objectives in the Corporate Plan and Service Plans
- Safeguard the information we hold, obtain, record use and share based on the new General Data Protection Regulations (GDPR)

All of these objectives will be achieved by applying the Council's risk management strategy, which outlines responsibilities for managing risks and defines how risk management should be applied across the Council.

The master copy of this document, a record of review and decision making processes will be held by the Head of Finance and Assets. All documentation will be available for audit as necessary.

This policy will be available to all staff and Members on the corporate document register on the intranet.

2. Strategy Background

All organisations face a wide variety of risks including physical risks to people or property, financial loss, failure of service delivery, information management and damage to the organisation's reputation. Risk for this purpose is defined as "the chance of an event happening and leading to unintended effects which will impair the

organisation's ability to achieve its objectives".

Risk management is intended to be a planned and systematic approach to the identification, assessment and management of the risks facing the organisation.

The traditional means of protecting against the more obvious risks has been through insurance. However, there are many risks which cannot be insured against and which must be addressed in different ways. Even in the case of those risks which are insurable, action can be taken to reduce the potential risks with consequent savings of premiums and disruption of work.

The risk management strategy aims to: -

- Clarify responsibilities for identifying and managing risks
- Ensure that an appropriate level of risk management is consistently applied across the Council
- Increase awareness and use of risk management as a normal element of service management and improvement

Facilitate sharing of experience and good practice across the Council and with other bodies.

3. Leadership and Responsibility

Given the diversity of Council services and the wide range of potential risks, it is essential that responsibility for identifying and taking action to address potential risks is clear.

Responsibility for effective risk management rests with all Members and Officers of the Council.

The Corporate Directors and Heads of Paid Service are the Officers with overall responsibility for securing adherence to the Council's policy on Risk Management. Nick Baker is also designated as the Council's Senior Risk Information Officer (SIRO) and will take overall ownership of the Council's Information Risk Policy, act as champion for information risk on the Corporate Leadership Team and provide written advice to the Head of Finance and Assets on the content of the Council's Statement of Internal Control in regard to information risk.

The framework of roles and responsibilities in Appendix One shows how these are allocated.

4. Corporate Governance

North Norfolk District Council has adopted a Local Code of Corporate Governance setting out the framework through which it will carry out its responsibilities to deliver effective services.

Core principle four requires “taking informed and transparent decisions which are subject to effective scrutiny and managing risk”. This requires that an effective risk management system is in place.

As part of the Local Code it states that the authority should prepare and publish an Annual Governance Statement (AGS). This statement is a key corporate document and will include an assessment of the authority’s effectiveness of managing risk; it is signed by the Corporate Directors and Heads of Paid Service and Leader of the Council.

The assessment of the authority’s effectiveness of managing risk is provided by an annual report to the Governance, Risk and Audit Committee.

To enable links to be made to the Corporate Plan the Corporate Risk Register identifies the Corporate Objective / Service priority to which that risk is identified.

5. Resourcing Risk Management

Risk management is not a new issue and, as identified in the Leadership and Responsibility Section, every Member and Officer is responsible for considering risk implications as they relate to their actions. Since the adoption and implementation of the Risk Management Framework in 2010 the concept of risk management has been formalised and is part and parcel of the culture of the Council.

The designated Risk Champion(s) at Management Team Level is the Head of Finance and Assets who also covers the role of Corporate Risk Officer.

Information Technology is used in the form of the Performance and Risk System.

6. Role and Composition of the Risk Management Board

Whilst acknowledging the wide variety of risks that face the Council, and the differing circumstances that apply in different services, it is essential that there is some consistency in the way that risks are identified and assessed. This helps to ensure that all areas of risk are adequately considered and relative priorities for action can be judged.

The Risk Management Board will provide this consistency of approach. The Board acts as a link between service managers, specialised groups dealing with particular areas of risk, senior management and Members.

The Board consists of the Leader and Deputy Leader of the Council and the Portfolio Holder for Finance, all the Corporate Leadership Team, The Head of Finance and Assets and the HR Manager.

The Terms of Reference and membership of the Risk Management Board are available on the Intranet.

The Corporate Risk Register will be a standing item on the agenda (for any issues or changes that arise) and a full review of the register will take place every six months.

7. Risk Management Role in the Cabinet and Governance, Risk and Audit Committee

The Cabinet is responsible for ensuring that an adequate risk management framework and associated control environment exists within the Council.

The Audit Committee was established in 2006 but has now been replaced by the Governance, Risk and Audit Committee. This Committee is responsible for monitoring the arrangements in place for the identification, monitoring and management of strategic and operational risk.

To provide the Governance, Risk and Audit Committee with the necessary information to undertake these responsibilities, regular progress updates on the Corporate Risk Register are reported at specific meetings.

8. Risk Management Approach

The development of a consistent, corporate approach to risk management is done in a methodical and proportionate way in order to avoid the creation of a self-defeating bureaucratic burden.

To ensure that risk management is handled in the most efficient way within the Council, the risk element has been included in the Service Plans and the work to implement the risk management strategy has been included in the Performance and Risk System.

9. Methodology

A methodology for identifying, assessing and managing risk within the Council has been developed. This methodology has the advantage of being relatively straightforward to use and can be applied to both the strategic risks of the Council and as part of the routine service and project planning processes.

Guidance for managers on the application of the risk management methodology has been produced and is embedded in the Performance and Risk System. Risk review meetings between the Policy and Performance Management Officer and Service Managers are held at least every six months to review and updated the assessment of existing risk and their management, to identify new risks and risks that should be put forward for inclusion in the Corporate Risk Register.

Risk assessments should be produced to support strategic policy decisions and all major projects. The Guide to Project Management (on the Intranet) includes how to assess risk and has forms to capture the data. The Council's risk management methodology should be followed to produce these risk assessments and a summary

of the findings given in reports to Members.

Risk management training will be provided for managers to assist with implementing the risk management methodology. Managing Risk is a tutorial in the e-learning portal.

10. Risk Scoring, Matrix and Risk Tolerance

Corporate Risks

Each corporate risk (a similar matrix is used for service risks) will be assessed against the following criteria:

Corporate Risk					
Impact Type	Catastrophic 5	Critical 4	Moderate 3	Marginal 2	Negligible 1
Objectives	The key objectives in the Corporate Plan will not be achieved.	One or more Key Objectives in the Corporate Plan will not be achieved.	Significant impact on the success of the Corporate Plan.	Some impact on more than one Service.	Insignificant impact on more than one Service.
Financial Impact (Loss)	Over £1.5m	£500K - £1.5m	£300K - £500K	£0K - £300K	£0-20K

Likelihood ratings and dimensions are tabled below

Grade	Likelihood	Probability	Timing
5	Very High	Over 90%	Within six months
4	High	60 - 90%	This year
3	Moderate	40 - 60%	Next year
2	Low	10 - 40%	Probably within 15 years
1	Very Low	below 10%	Probably over 15 years

Instructions issued with service plans

Impact ratings and dimensions are tabled below.

Corporate Risk					
Impact Type	Catastrophic 5	Critical 4	Moderate 3	Marginal 2	Negligible 1
Objectives	The key objectives in the Corporate Plan will not be achieved.	One or more Key Objectives in the Corporate Plan will not be achieved.	Significant impact on the success of the Corporate Plan.	Some impact on more than one Service.	Insignificant impact on more than one Service.
Financial Impact (Loss)	Over £1.5m	£500K - £1.5m	£300K - £500K	£20K - £300K	£0-20K

Service Risk					
Impact Type	Catastrophic 5	Critical 4	Moderate 3	Marginal 2	Negligible 1
Objectives	The key objectives in the Business Plan will not be achieved	One or more Key Objectives in the Business Plan will not be achieved.	Significant impact on the success of the Service Business Plan.	Personal or team objectives not met.	Insignificant impact.
Financial Impact (Loss)*	Over £500K	£300K - £500K	£75K - £300K	£10K - £75K	£0-10K
Service provision	Service suspended long term or statutory duties not delivered.	Service suspended short term.	Service reduced significantly	Slightly reduced	No effect

* Note: these are indicative figures it may be better to use % of budget for some of the smaller services.

Likelihood ratings and dimensions are tabled below

Grade	Likelihood	Probability	Timing
5	Very High	Over 90%	Within six months
4	High	60 - 90%	This year
3	Moderate	40 - 60%	Next year

2	Low	10 - 40%	Probably within 15 years
1	Very Low	below 10%	Probably over 15 years

The probability and timing are guidelines only and should be used with judgement. For example: an identified risk happened in the last six months but had not occurred previously for over 10 years. The likelihood of it happening again is still probably still Low, particularly if you feel that any new controls put in place since the risk happened have made it less likely.

Risk Matrix

The scoring by using a 5x5 matrix, which multiplies the numbers together, gives a wider range of scores.

Matrix

Likelihood of occurrence	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
	Multiply	1	2	3	4	5

Severity of impact / consequences

A very high likelihood with a catastrophic impact would score 25 but something that was very low likelihood and negligible impact would only score 1.

Risk Tolerance

Matrix

Likelihood of occurrence	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
	Multiply	1	2	3	4	5

Severity of impact / consequences

A score of 6 or under is deemed marginal and requires no further action
 A score of between 7 and 14 is deemed moderate and requires action to reduce the score.
 A score of over 15 is deemed critical and requires immediate action.

11. Risk Identification

To meet the requirements of this framework, risk(s) must be capable of being identified at any level, and by anybody, within the Authority.

The key people are the service managers who will be actively monitoring their service plan to identify risks and change management practices and controls to reduce their impact. They can also be escalated to being a corporate risk through the Risk Management Board, as can Members.

12. Risk Registers

The authority has three levels of risk register. The Corporate Risk Register which is maintained by the Corporate Risk Officer (Head of Finance and Assets) and monitored by the Risk Management Board. The service risks are monitored through the service plans and recorded on the TEN system. There are also individual risk registers for certain projects such as the waste and leisure procurements and the new leisure schemes which include the re-provision of leisure facilities in Sheringham and the new Community Sports Hub in Cromer. Reviewing service risks is the responsibility of the service manager with the support of the Policy and Performance Management Officer.

There is no “classic” definition of corporate risk as each organisation is different, however, as a guide a risk that would be described as corporate is one that would adversely affect the delivery of the corporate plan or mean the failure to deliver a corporate objective or affects more than one area of operation.

The Corporate Risk Register is in the following format:

Name/No	Existing Controls	Score (with controls)	Action (to achieve target score) and Date for action to be completed	Target Score	Corporate Objective/ Service Priority	Responsible Officer
1. Cause of risk		Impact x Likelihood = Total		Impact x Likelihood = Total		
2. Description of Risk or potential event						
3. Consequence of risk happening						

The method of scoring likelihood and impact is in section 10.

Similarly, there is no “classic” definition of service risk and it is the clear intention to only collect and monitor the main risks that face a service. In a similar way to the corporate risk, a service risk is one that would adversely affect the delivery of the services business plan or mean the failure to deliver a service objective or affects more than one area within the service.

The service risks are gathered in a similar way:

R e f	Description of risk/ opportunity factor	Existing controls in place to reduce the risk.	Risk Score	Action to reduce risk score with timescale and responsible officer	Target Score	Affected Corporate Objective or Service Activity
	1. Cause of risk					
	2. Description of risk					

	3. Consequence of risk occurring						
			I	L		I	L

All service plans will have the risk element completed and signed off by the relevant Head of Service.

For each risk the category or categories of risk are identified to assist in assessing the kind of control, mitigation and contingencies that should be put in place.

Categories of risk;

- A Financial
- B Reputational
- C Capacity/Delivery?
- D Statutory Compliance
- E Human Resources
- F Partnership
- G Health and Safety

The TEN Performance system will show risks by service and risks and controls must be reviewed on a regular basis, the framework requires a six monthly update which will be facilitated by the Policy and Performance Management Officer.

13. Involvement of Other Related Groups

There are a number of other officer groups in existence which deal with specific areas of risk management. These include both the Health and Safety Group and the Corporate Business (Service) Continuity Group. These groups are represented on the Risk Management Board by their Corporate Directors so that their work can be coordinated with the overall management of the risks facing the Council.

In addition to the groups listed above, the Council's Internal Audit section also contributes to the management of risk. The work of Internal Audit is based on a needs and risk assessment process that identifies and focuses resources on higher risk areas. Audit findings are reported to the relevant Chief Officer and Service Manager together with recommendations for improvement and an action plan. Checks are undertaken by Internal Audit to ensure agreed recommendations are implemented.

The Corporate Risk Officer will receive copies of all finalised internal and external audit reports to assess if any change is required for the risk registers.

14. External Contacts

The potential risks faced by the Council are in many cases similar to those faced by other authorities and it is practical and cost effective to learn from the experience of others.

In order to share risk management information and experiences, the Council has

established networks with other authorities and agencies. Specifically, the Council is a member of the Norfolk Risk Managers' Group. This Group, whose members include local authorities, police authority and others from Norfolk, meets on a regular basis to discuss risk management issues that are common to organisations and to share examples of best practice.

15. Linked Policies

There are a number of policies that are or will be linked to this framework:

Health and Safety Policy

IT Security Policy

Information Management Strategy

Business Continuity Policy

Information Risk Policy

16. Review Process

This Framework will be reviewed by the Corporate Risk Board and any amendments will be agreed by the Governance, Risk and Audit Committee and Cabinet.

Appendix 1: Shared Leadership – Role and Responsibilities

Everyone has a role to play in an integrated risk management framework. Combining shared leadership with a team approach will help contribute to its ultimate success. Roles as identified at present are:

1. FULL COUNCIL

Approve the Corporate Risk Management Framework which includes the Policy Statement and Strategy.

2. CABINET

To provide leadership and direction for the Council. To keep the Council's policies and objectives under review, including the Council's corporate strategic risks, and agree a programme of risk reduction where appropriate.

Receive progress reports on risk reduction programme and agree revisions to "corporate risk register".

Assess risks attached to proposals for new / changed policies and service delivery arrangements and make recommendations to Full Council.

3. GOVERNANCE, RISK AND AUDIT COMMITTEE

Monitor to ensure that an adequate risk management framework and associated control environment is in place.

Monitor arrangements for the identification, monitoring and management of strategic and operational risk within the Council

Receive progress reports on the corporate risk register at each meeting.

4. CORPORATE DIRECTORS AND HEADS OF PAID SERVICE

Overall responsibility for securing adherence to the Council's Policy on Risk Management, including Nick Baker having designation as the Council's Senior Risk Information Officer (SIRO) The description and responsibilities of this role can be found on the intranet.

5. CORPORATE LEADERSHIP TEAM (CLT)

Appoint a Corporate Director and Member to jointly take responsibility for risk management.

Agree the Corporate Risk Management Framework including the Policy Statement and Strategy.

Consider risks attached to proposals for new / changed policies and service delivery arrangements.

Ensure that this framework is applied.

6. RISK MANAGEMENT BOARD

See Terms of Reference (page 13) but amongst those is to:
Consider and agree the Council's corporate strategic risks and identify those requiring further action.

Allocate responsibility to Corporate Directors to develop action plans for corporate strategic risks.

Receive progress reports on risk reduction programme and propose revisions to "corporate risk register".

The Corporate Risk Register will be a standing item on the agenda (for any issues or changes that arise) and a full review of the register will take place every six months.

7. CORPORATE HEALTH AND SAFETY GROUP

Reports directly to the Risk Management Board and is charged with delivering health and safety policy across the Council.

8. CORPORATE RISK OFFICER

Coordinate risk management activity across the Council

Report on risk management activity to Risk Management Board, Corporate Leadership Team (CLT), Management Team and Members.

Maintain a corporate risk register and liaise with Service Managers relating to service risks. Ensuring that the service risks are update on the risk system every six months.

Provide risk management training for officers and Members, appropriate to their needs and responsibilities.

9. INDIVIDUAL SERVICE MANAGERS

Develop action plans in relation to corporate strategic risks as they relate to their area.

Identify risks attached to proposals for new / changed policies and service delivery arrangements.

Ensure that a service risk register is maintained and updated every six months on the risk system and that action plans are implemented.

10. EMPLOYEES

Maintain awareness of risk management principles and take responsibility for managing risk within their own working environment.

Apply risk management to those risks requiring further action, particularly new developments and "project" work.

Maintain a record of risk assessments undertaken relating to them and any resulting action plans.

11. INTERNAL AUDIT

Reporting to Management on the organisations performance under the Risk Management Framework.

12. EXTERNAL AUDIT

Reporting to Management via Use of Resources etc on the organisations performance on risk management.

Document Information and Version Control

Document Name	Risk Management Policy and Framework
Document Description	The framework outlines responsibilities for managing risks and defines how risk management should be applied across the Council.
Document Status	Under Review
Lead Officer	Duncan Ellis
Sponsor	Nick Baker
Produced by (service name)	Finance
Relevant to the services listed or all NNDC	All
Approved by	
Approval date	
Type of document	Policy and Framework
Equality Impact Assessment details	Not required
Review interval	Every 2 years
Next review date	

Version	Originator	Description including reason for changes	Date
1	Peter Gollop		August 2010
1.01	Helen Thomas	Transferred to policy template	23 October 2015
1.02	Helen Thomas	Marked up version showing out-of-date elements and suggested changes	09/11/2015
1.03	Karen Sly	Draft refresh presented to Audit Committee pending further review	February 2016
1.04	Duncan Ellis	Updated provided to the Governance, Risk and Audit Committee	March 2017
1.05	Duncan Ellis	Updated provided to the Governance, Risk and Audit Committee	March 2018

Governance, Risk and Audit Committee Annual Report

Summary:	This report arises from the CIPFA self-assessment of good practice undertaken in March 2017. It aims to give all Members a fuller understanding of the role of the Governance, Risk and Audit Committee, to inform Members of the Committee's work in the year 2017/18 and to highlight some of the key issues it has considered.
Conclusions:	The Committee has fulfilled its remit and had a very active year as demonstrated by the volume of work it has processed. There have been changes in membership but attendance has been good and consistent. 2018 brings the challenge of an earlier deadline for closure of the Final Accounts and the Committee has prepared for this by tabling an extra meeting and agreeing to changes in its Terms of Reference.
Recommendations:	It is recommended that Council notes the report and affirms the work of the Governance, Risk and Audit Committee.
Reasons for Recommendations	To inform Council of the work of the Governance, Risk and Audit Committee in 2017/18
Cabinet member(s):	Ward(s) affected:
All	All
Contact Officer, telephone number, and e-mail:	Mary Howard, Democratic Services Officer, 01263 516047, mary.howard@north-norfolk.gov.uk

1. Introduction

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.

In March 2017, Members of the Committee undertook a CIPFA self-assessment of good practice. This is a regular exercise against a checklist, to be satisfied that the Committee is performing effectively. The exercise highlighted the good performance of the Committee but also a concern that the role of the Governance, Risk and Audit Committee was only partly understood across the Council. This report has arisen from this observation and seeks to give all Members a fuller understanding of the Committee's work.

2. Background

The Committee was originally convened on 21 June 2006 as the Final Accounts Committee. It was established to allow a more robust Member scrutiny/discussion of the final accounts prior to their approval by Full Council. On 16 October 2006, the Committee met for the first time as the Audit Committee. Its remit was more far-reaching than accounts and included scrutiny of external and internal audit, risk management and internal control. On 6 September 2016 the Committee agreed to change its name to the Governance, Risk and Audit Committee to better reflect its function and the range of its oversight.

In 2017/2018 the Committee has met in June, September, December and March. In 2018/19 the number of meetings will increase from 4 to 5 per annum, to enable the Final Accounts to be signed off by the new deadline of 31 July.

3. Membership and Attendance of the Committee in 2017/18

The Committee is composed of 6 Members. There have been several changes in 2017/18. Committee Membership this year has comprised:

- Mr D Baker (since June 2017)
- Mr V FitzPatrick
- Ms V Gay
- Mr M Knowles
- Mr N Pearce (June and September 2017)
- Mr J Rest (since December 2017)
- Mr P Rice (June 2017)
- Mr D Young

Mr V FitzPatrick chaired the Committee up to and including the meeting in December 2017. In December 2017, Mr J Rest was appointed Chairman. The Chairman of the Governance Risk & Audit Committee is not permitted to be a member of the Overview & Scrutiny Committee.

Other Members in attendance have included Mrs S Bütikofer and Mrs A Fitch-Tillett. Attendance has been good throughout the year with the 6 nominated Members achieving a total of ... attendances out of a possible 24 (%)

4. Purpose of the 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.

The Terms of Reference (which have been updated to allow the Committee to sign off the Final Accounts) outline the purpose in more detail:

a) 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.

b) External Audit

- To consider annually the External Audit plan of work.
- To consider External Audit reports and letters.

c) 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.

d) Risk Management

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

e) 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.

5. Work of the Committee in 2017/18

a) Internal Audit

- Progress report on Internal Audit Activity (every meeting)
 - Follow-up on Internal Audit Recommendations (June, December 2017)
 - Annual report and opinion 2016/17 and review of the effectiveness of Internal Audit (June 2017)
 - Feedback on CIPFA Self-Assessment (June 2017)
 - Strategic and Annual Audit Plans (March 2018)
- b) External Audit**
- Annual Governance Report (ISA260) (September 2017)
 - Letter of Representation (September 2017)
 - Ernst and Young Annual Audit Letter (December 2017)
 - Ernst and Young Audit Plan (with overview) (March 2018)
 - Annual Grant Certification Report from Ernst Young (March 2018)
- c) Accounts / Finance**
- 2016/17 Statement of Accounts (September 2017)
- d) Risk Management**
- Civil Contingencies Update (June 2017)
 - Corporate Risk Register (September 2017, March 2018)
 - Risk Management Framework (March 2018)
- e) Governance**
- Local Code of Corporate Governance and Annual Governance Statement 2016/17 (June 2017)
 - Monitoring Officer Annual Report 2016/2017 (June 2017)
 - Counter-Fraud, Corruption and Bribery Strategy and Whistleblowing Policy. (September 2017)
 - Audit Committee Terms of Reference (December 2017)
 - CIPFA Self-Assessment (March 2018)
 - Report on the work of the Governance, Risk and Audit Committee (March 2018)

6. Key Issues reviewed during the year

Feedback from Self-Assessment

The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “Audit committees - practical guidance for local authorities and police” set out the guidance on the function and operation of audit committees. It represented CIPFA’s view of best practice which included the regular completion of a self-assessment against the checklist.

The assessment in March 2017 highlighted the good performance of the Committee. The only actions required were a review of the Whistleblowing Policy and Fraud Corruption Policy and a report for Full Council on the work of the Committee.

The Head of Internal Audit brought the Whistleblowing Policy to the September 2017 meeting.

Members undertook a further self-assessment on 27 March 2018

Follow-up on Internal Audit Recommendations and Historical Recommendations

The Committee is pro-active in monitoring outstanding and historical recommendations. When appropriate, relevant managers are invited to the Committee to answer Members' questions. In this respect, the Committee has requested six-monthly updates from the Head of Service in relation to section 106 agreements to ensure that this is regularly monitored. Progress on implementation of recommendations is reviewed until the Committee is satisfied.

New deadline for Final Accounts

From 2018, because of changes in statutory regulations, the Final Accounts will need to be signed off before the September meeting. In the past the Statement of Accounts has gone to Full Council with a recommendation from the Governance, Risk and Audit Committee, but this would not meet the new deadline. NNDC has become 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 the new 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. Members agreed this in September and, in consequence, an additional meeting has been scheduled for 24 July 2018.

The Committee's Terms of Reference were reviewed by the Head of Internal Audit and approved at the December meeting. The amended Terms were due to go to Full Council for approval on 21 February 2018 and thence into the Constitution.

As well as the accounts needing to be closed earlier in 2018, the external audit will also undergo a change in staffing. The Finance Team will work closely with the Audit Manager and her team to ensure this makes no impact. The Committee is aware of these changes, and the potential risks. As far as the final accounts are concerned, NNDC is in a good position, having almost met the 2018 deadline in 2017.

7. Conclusion

The Committee has fulfilled its remit and had a very active year as demonstrated by the volume of work it has processed. There have been changes in membership but attendance has been good and consistent. 2018 brings the challenge of an earlier deadline for closure of the Final Accounts and the Committee has prepared for this by tabling an extra meeting and agreeing to changes in its Terms of Reference.