

# Audit Committee

## Agenda

### Members of the Audit Committee

Mr N C Shaw  
(Chairman)

Mr P H Carrick  
(Vice Chairman)

Mrs B H Rix  
Mr V B Tapp  
Mrs K A Vincent

### Substitutes

#### Conservatives

Mr G Everett  
Mr R J Knowles  
Mr I J Mackie

**Liberal Democrat**  
Mr D G Harrison

### *Date*

Thursday 14 March 2019

### *Time*

10.00 am

### *Place*

Trafford Room  
Thorpe Lodge  
1 Yarmouth Road  
Thorpe St Andrew  
Norwich

### *Contact*

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@BDCCDemServices

**If any member wishes to clarify details relating to any matter on the agenda they are requested to contact the relevant Head of Service.**

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**The Chairman will ask if anyone wishes to  
film / record this meeting**

**A G E N D A**

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|----------|--|----------------|
| <b>1</b> | <b>To receive declarations of interest under Procedural Rule no 8</b>  |                |
| <b>2</b> | <b>Apologies for absence</b>   |                |
| <b>3</b> | <b><u><a href="#">Minutes of the meeting held on 10 January 2019</a></u></b>   | <b>6 – 12</b>  |
| <b>4</b> | <b>Matters arising therefrom (if any)</b>  |                |
| <b>5</b> | <b>Risk and Treasury Management</b><br><br>To receive a presentation from Link Asset Services.                                   |                |
| <b>6</b> | <b><u><a href="#">Strategic and Annual Internal Audit Plans 2019/20</a></u></b><br><br>To receive a report from Internal Audit.  | <b>13 – 38</b> |
| <b>7</b> | <b><u><a href="#">Annual Fraud Update</a></u></b><br><br>To receive an update from the Corporate Fraud Officer.                  | <b>39 – 47</b> |
| <b>8</b> | <b>Independent Audit Committee Member</b><br><br>To consider a proposal to appoint an Independent Member of the Audit Committee. |                |
| <b>9</b> | <b><u><a href="#">Work Programme</a></u></b><br><br>To consider the Committee's Work Programme.                                  | <b>48</b>      |

Trevor Holden  
Managing Director

# Glossary

General Terms	
<b>AGS</b>	<i>Annual Governance Statement</i> – This is a statement prepared by the Council each year to summarise the governance and assurance framework, and highlight any significant weaknesses in that framework
<b>BAD DEBT PROVISION</b>	To take account of the amount of debt which the Council estimates it will not be able to collect
<b>CIPFA</b>	<i>The Chartered Institute of Public Finance and Accountancy</i> – The accountancy body for public services
<b>CREDITOR</b>	A person or organisation which the Council owes money to for a service or goods
<b>LEDGER</b>	A module within the finance system e.g. Sales Ledger, Purchase Ledger, General Ledger
<b>LGA</b>	<i>Local Government Association</i> – a lobbying organisation for local councils
<b>LGPS</b>	<i>Local Government Pension Scheme</i> - Pension Scheme for all public sector employees
<b>NFI</b>	<i>National Fraud Initiative</i> – A national exercise to compare data across public sector organisation to aid identifying potential frauds
<b>NHB</b>	<i>New Homes Bonus</i> – Grant paid by central Government to local councils for increasing the number of homes and their use
<b>NI</b>	<i>National Indicator</i> – A measure used to identify how the Council is performing that is determined by central Government
<b>NNDR/NDR</b>	<i>(National) Non-Domestic Rates</i> – Commonly known as Business Rates
<b>PI</b>	<i>Performance Indicator</i> – Measure used to identify how the Council is performing
<b>PSN</b>	<i>Public Services Network</i> – Provides a secure private internet for organisations across central Government and the Wider Public Sector and standardised ICT infrastructure
<b>RAD</b>	Rent Assisted Deposit scheme
<b>SLA</b>	<i>Service Level Agreement</i> – An agreement that sets out the terms of reference for when one organisation provides a service to another
<b>MTFP</b>	<i>Medium Term Financial Plan</i> – Sets out the future forecast financial position of the Council
<b>SUNDRY DEBTOR</b>	A customer who owes the Council money for a service they have received prior to payment, this excludes Council Tax or NDR. The term can also refer to the system used to record money owed to the Council e.g. the Sundry Debtors system which is a module within the financial system.

<b>Audit Terminology</b>	
<b>APB</b>	<i>Auditing Practices Board</i> – The body that sets the standards for auditing in the UK
<b>COUNT</b>	<i>Count Once, Use Numerous Times</i> – A system used for data collection and analysing, which works to avoid duplication by assuming the principle that a piece of data should be recorded once but used several times in different ways
<b>ISA</b>	<i>International Auditing Standard</i> – Provides external auditors with a required framework that dictates work to be undertaken before awarding an opinion on the statement of accounts
<b>VFM Conclusion</b>	<i>Value for Money Conclusion</i> – The Audit Commission are required to give an annual conclusion on the Council's arrangements for providing value for money in addition to the opinion given on the statement of accounts
<b>Accounting Terminology</b>	
<b>BRRS</b>	<i>Business Rates Retention Scheme</i> – Provides a direct link between business rates growth and the amount of money councils have to spend on local people and local services (the Council retains a proportion of the income collected as well as growth generated in the area)
<b>CFR</b>	<i>Capital Financing Requirement</i> – A calculated figure that establishes the amount of money the Council needs to borrow
<b>Collection Fund</b>	A separate account statement that records the transactions relating to the collection and redistribution of Council Tax and Business Rates
<b>GAAP</b>	<i>Generally Accepted Accounting Practice</i> – This provides the overall framework for accounting principles prior to IFRS adoption in local government (also "UK GAAP" – specific to the United Kingdom)
<b>IAS</b>	<i>International Accounting Standards</i> – These were the precursors for international financial reporting standards (see below)
<b>IFRS</b>	<i>International Financial Reporting Standards</i> – The underlying standards for the Council's accounting policies and treatment of balances
<b>IPSAS</b>	<i>International Public Sector Accounting Standards</i> – These set out the accounting standards for public sector bodies, and are based on the international financial reporting standards
<b>MRP</b>	<i>Minimum Revenue Provision</i> – The amount of money the Council needs to set aside each year to fund activities from revenue balances
<b>Non-current assets</b>	Assets from which benefit can be derived by the Council for more than one year (formerly known as Fixed Assets)
<b>RSG</b>	<i>Revenue Support Grant</i> – One source of Council funding from central Government
<b>SSAP</b>	<i>Statement of Standard Accounting Practice</i> – Preceded the financial reporting standards in the UK
<b>The Code</b>	<i>Code of Practice on Local Authority Accounting in the UK</i> – Main guidance on accounting treatment required for the statement of accounts
<b>Virement</b>	The process of transferring a sum of money from one part of the Council's budget to another, subject to appropriate approval
<b>WGA</b>	<i>Whole of Government Accounts</i> – An exercise undertaken to consolidate all the accounting records of Government bodies

<b>International Accounting and Financial Reporting Standards Reference Numbers</b>	
<b>IAS1</b>	<i>Presentation of Financial Statements</i> – Sets out the prescribed format for statements of accounts
<b>IAS19</b>	<i>Employee Benefits</i> – Essentially provides the basis for accounting for the pension fund
<b>IAS20</b>	<i>Accounting for Government Grants</i> – Establishes the accounting treatment for receiving Government grants
<b>IAS40</b>	<i>Investment Property</i> – How organisations should account for properties held as an investment
<b>IPSAS16</b>	<i>Investment Property</i> – How public sector organisations should account for properties held as an investment
<b>IPSAS23</b>	<i>Revenue from non-exchange transactions (taxes and transfers)</i> – This determines how monies from taxes should be treated in the accounts

Minutes of a meeting of the **Audit Committee** held at Thorpe Lodge, 1 Yarmouth Road, Thorpe St Andrew, Norwich on **Thursday 10 January 2019** at **10.00am** when there were present:

Mr N C Shaw – Chairman

Mr R J Knowles

Mrs B H Rix

Mrs K A Vincent

Mrs Copplestone, Mr Fisher and Mrs Mancini-Boyle also attended the meeting for its duration.

Also in attendance were the Deputy Chief Executive, Interim Head of Housing and Environmental Services, Head of Internal Audit, Head of Corporate Resources, Internal Audit Manager and the Committee Officer (JO).

Mark Hodgson (Ernst and Young) was also in attendance.

### **22 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Mr Carrick and Mr Tapp.

### **23 MINUTES**

The Minutes of the meeting held on 20 September 2018 were confirmed as a correct record and signed by the Chairman

### **24 SERVICE RISKS**

The Interim Head of Housing and Environmental Services advised the meeting that her department was the largest in the Council, with 78 members of staff covering the following five service areas:

- 1 The Help Hub, which dealt with early intervention and community safety and worked with 40 partner organisations.
- 2 Housing Health and Partnership Team
- 3 Private Sector Housing Team
- 4 Food, Safety and Licensing Team
- 5 Environmental Protection Team

The department delivered against five of the six corporate ambitions of the Council and had seven areas of risk. None of these were high risk; one was medium risk (IT in the Housing Advice and Homelessness department) and the rest were low risk.

The introduction of new regulations, responsibilities and demand was an ongoing risk as a result of **Policy and Legislative Change**. Recent examples included: the new Waste Strategy for England, the Homelessness Reduction Act and Animal Welfare Regulations 2018. Measures to mitigate this risk included: staff training, service redesign and partnership working.

Working with partners could result in **Service Delivery** risk and a dependency on the market and Service Level Agreements. Measures to mitigate this risk were staff training, service redesign and a clearly stated commitment to partnership working. A partnership workshop had been held last year in which partners had been asked how they viewed Broadland as a partner and the learning from this had been very useful in improving relationships further.

**Demand** on the service was a major risk and could fluctuate according to circumstances. For example, illegal Gypsy and Traveller encampments in Broadland had increased by 1,000 percent in 2018. New animal welfare regulations and pressure on the Housing Options Team meant demand could vary in similar ways. Mitigation of the risk include service redesign and recruitment of an additional part-time Environmental Health Officer.

Long-term sickness, resignations and difficulties in finding suitably qualified staff meant that **Staffing and Recruitment** was a major risk. Mitigations for this included: utilising underspends to offer additional hours to staff; redesigning services and recruiting jointly with South Norfolk Council a student Environmental Health Officer.

There was considerable risk to the **Reputation** of the Council in the activities of Housing and Environmental Services, although this rarely had anything to do with service delivery and was largely to do with unrealistic expectations. To address this it was ensured that staff were well trained and had a single clear message. Staff also worked closely with the Communications Team to proactively promote the service.

The current **IT** system used by the Housing Options Team was not adaptable enough to meet the requirements of the Homelessness Reduction Act. To address this risk, a grant had been utilised to buy new software and fund additional staff.

The department had a long history of successfully bidding for additional **Funding** (such as the £3.1m recently secured from the Warm Homes Fund), but with additional funding came greater risk for the Council, especially when acting for other local authorities. This was mitigated by joint training with

colleagues at South Norfolk Council to build up expertise in securing external funding and using the evaluation of externally funded services to secure further funding.

The Interim Head of Housing and Environmental Services confirmed that the department was in a good position and had the capacity to respond to new demands on the service. For example, the Council was already collecting food waste in 50 percent of its area and was well placed to meet the proposed Government target of 100 percent food waste collection by 2023.

In response to a query, the Portfolio Holder for Environmental Excellence confirmed that the sale of recycled paper and cardboard continued to be a challenge due to quality restrictions placed by China. The Material Recycling Facility had improved the quality of its product in response to this.

In respect of plastic, the Government had placed an emphasis on producers and the Council was working with them to identify plastics that were easier to recycle.

The Deputy Chief Executive emphasised that there were many activities of the Council that required investment in prevention and brought with them an element of risk. However, it was important that a certain amount of risk be accepted to meet the demand placed on the Council.

## **25 RISK REGISTER AND PERFORMANCE MANAGEMENT**

The report had been drafted in response to a request by the Chairman for a Council Risk Register.

The Deputy Chief Executive explained that since 2013 the Council had adopted a risk approach based on Systems Thinking principles, this had included the cessation of a formal Corporate Risk Register. In its place services managed and reported risk through half yearly Performance Reports.

The Council's external and internal auditors had not raised any significant issues regarding this change in approach and there had been no negative impact on the Council or any negative audit results since this change.

The Audit Committee was requested to define their preferred approach to risk management and the process and timetable for implementing any changes they suggested.

The Head of Internal Audit informed the Audit Committee that she had previously advised that Broadland's approach to risk management was not in line with recommended best practice, and subsequent internal audit reviews were undertaken against the approach now being taken rather than the usual



review against best practice. She suggested that a Risk Management Maturity Assessment might be useful. This would allow Members to make a considered judgement on the approach they would like to adopt for risk management. A Risk Management Maturity Assessment was an evidence based analysis of the risk management framework, which sought to provide assurance that the Council was identifying risks that threatened the achievement of strategic objectives and evaluated whether it was mitigating risks within a defined appetite.

The Chairman suggested that he would prefer to see a Risk Register that clearly set out risks and their status, so that the Committee could identify areas of concern and investigate them further, if necessary.

The Portfolio Holder for Finance emphasised that the current Systems Thinking approach to Risk Management was very effective and if this was going to be reviewed Members would need to be very clear about what they wanted to achieve from a different approach.

She added that the update from the Interim Head of Housing and Environmental Services had demonstrated the effectiveness of allowing Heads of Service to manage risk within their departments and it would be unwise to discard this approach. The Head of Internal Audit concurred with this view and emphasised that any new risk management system should complement the Systems Thinking approach, rather than replace it.

The Internal Audit Manager advised the Committee that she estimated that any Risk Register that was produced as a result of the review would wholly contain around ten or 12 high-level strategic risks that would impact on delivery of the Councils objectives.

The Head of Corporate Resources suggested that the half yearly Performance Reports that were presented to Cabinet already delivered corporate risk register information in a narrative form and that this could be adapted to add any comments or additional information from Cabinet and then brought to the Audit Committee for further consideration on a regular basis.

The Head of Internal Audit suggested that a Risk Management Assessment be undertaken that would take account of best practice and bring back some options for the Committee to consider.

It was estimated that a Risk Management Assessment could be completed by the Committee's meeting in June 2019. The 14 March 2019 meeting of the Audit Committee would also receive the latest Council Performance Report for consideration.

**RESOLVED**

that a Risk Management Assessment be undertaken to collect evidence of the current approach to risk management at the Council and to present some options for the Committee to consider about its future operation.

**26      PROGRESS REPORT AN INTERNAL AUDIT ACTIVITY**

The report reviewed the work performed by Internal Audit in delivering the Annual Internal Audit Plan for 2018/19 during the period 12 September 2018 to 21 December 2018.

Since the Annual Internal Audit Plan for the year was approved, there had been one significant change to the Plan. The review of the Exchange and Ancillary Services had been postponed to 2019/20, as an upgrade was currently underway and an audit review would be more beneficial once this work had been completed. The IT audit plan of work would, however, take account of the IT projects for collaboration.

The current position in completing audits to date within the financial year was in line with expectations, with 113 days of programmed work completed, equating to 78 percent of the Audit Plan for 2018/19.

Two final reports had been completed during the period: Corporate Governance GDPR, which had received a 'reasonable' assurance and Council Tax and NNDR, which had received a 'substantial' assurance.

As a result of these audits six recommendations had been raised, which had all been agreed by management and two of the Corporate Governance GDPR recommendations had already been implemented.

All audits had 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.

**RESOLVED**

to note the progress in completing the Internal Audit Plan of work and the outcomes of the completed audits to date for the 2018/19 financial year.

**27      FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS**

The report informed the Committee of progress made in relation to management's implementation of agreed internal audit recommendations falling due by 31 December 2018.

As a result of Internal Audit recommendations, management agreed action to ensure implementation within a specific timeframe and by a responsible officer. The management action was subsequently monitored by Internal Audit and reported to the Committee. Verification work was also undertaken for those recommendations reported as closed.

In 2017/18 Internal Audit raised 36 recommendations, with 30 now being closed. Three 'important' and two 'needs attention' recommendations remained outstanding. One recommendation was not yet due.

In 2018/19 Internal Audit had raised 24 recommendations so far. Of these ten were closed. Five 'important' and four 'needs attention' recommendations were currently outstanding. A total of five recommendations were not yet due.

Internal Audit were pleased to note that good progress had been made to address recommendations raised from the previous financial year and against those raised so far in 2018/19.

### **RESOLVED**

to note the position in relation to the completion of agreed Internal Audit recommendations.

## **28 EY 2017/18 GRANT CERTIFICATION REPORT**

The report summarised the results of External Audit's work on the Council's 2017/18 claim.

Members were advised that there were only two minor errors identified by the audit and a good assurance could be issued.

There was an addition to the 2017/18 fee of £965 for extra work undertaken during the period.

Members noted that a £78 variation, when dealing with a £20m claim was very good.

The Committee commended the Head of Finance and Revenue Services and her Benefits Team on their excellent work.

## **29 EY 2018/19 AUDIT PLAN**

The Committee received the Audit Plan, which set out the approach and scope that External Audit proposed for 2018/19. The scope of the Audit

remain largely unchanged, although the risk of management override had been split into two areas of focus: (1) misstatements due to fraud or error and (2) omission or understatement of provisions.

Two new risks that would be audited were: financial instruments and revenue from contracts with customers.

Performance materiality had been set at 75 percent of materiality, which was the same as last year.

The value for money conclusion would be based on no significant risks being identified by the audit.

### **30 WORK PROGRAMME**

The following items were added to the Committee's Work Programme:

- 14 March 2019
  - Progress Report on Internal Audit Activity
  - Performance Report – Broadland Business Plan
  - Independent Audit Committee Member
- June 2019
  - Annual Report and Opinion 2018/19
  - Annual Governance Statement

*The meeting closed at 11.38 am*

## **STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2019/20**

**Report Author:** Emma Hodds, Head of Internal Audit for Broadland District Council  
tel: 01508 533791  
e-mail: [ehodds@s-norfolk.gov.uk](mailto:ehodds@s-norfolk.gov.uk)

**Portfolio Holder:** Finance

**Wards Affected:** All

**Purpose of the Report:** This report provides an overview of the stages followed prior to the formulation of the Strategic Internal Audit Plan for 2019/20 to 2021/22 and the Annual Internal Audit Plan for 2019/20. It will also provide the basis for the Annual Audit Opinion on the overall adequacy and effectiveness of Broadland District Council's framework of governance, risk management and control.

### **Recommendations:**

1. To note and approve:
  - The Internal Audit Charter
  - The Internal Audit Strategy for 2019/20;
  - The Strategic Internal Audit Plans 2019/20 to 2021/22; and
  - The Annual Internal Audit Plan 2019/20.

## **1 SUMMARY**

- 1.1 This report provides an overview of the stages followed prior to the formulation of the Strategic Internal Audit Plan for 2019/20 to 2021/22 and the Annual Internal Audit Plan for 2019/20. 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 Broadland District Council's framework of governance, risk management and control.

## **2 BACKGROUND**

- 2.1 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 standards or guidance'.
- 2.2 Those standards are set out in the Public Sector Internal Audit Standards (PSIAS) which came into effect in April 2013.

## **3 CURRENT POSITION / FINDINGS**

- 3.1 The attached report contains:
- The Internal Audit Charter which formally defines the internal audit's purpose, authority and responsibility, and is a mandatory document;
  - 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 three financial years;
  - The Annual Internal Audit Plan, which details the timing and the purpose of each audit agreed for inclusion in 2019/19.

## **4 PROPOSED ACTION**

- 4.1 For the Audit Committee to review and approve the Internal Audit Charter, Internal Audit Strategy and planned scope of work for the 2019/20 financial year for Internal Audit Services.

## **5 ISSUES AND RISKS**

- 5.1 **Resource implications** – the Internal Audit Service is provided by way of a

Partnership Agreement with South Norfolk Council, whereby South Norfolk Council provide the role of the Head of Internal Audit and Contract Manager to Broadland District Council, and the service provision i.e. delivery of the audits, is provided through a contract with TIAA Ltd.

- 5.2 **Legal implications** – there are no legal implications arising from this report.
- 5.3 **Equality implications** – there are no equality implications arising from this report.
- 5.4 **Environmental impact** – there are no impacts on the environment arising from this report.
- 5.5 **Crime and disorder** – there are no impacts upon crime and disorder arising from this report.
- 5.6 **Risks** – the Risk Based Internal Audit approach will ensure that the Council's key risks are accurately reviewed and updated and thus the Internal Audit Service is adding value and auditing the key risk areas.

## **6 CONCLUSION**

- 6.1 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.

## **7 RECOMMENDATIONS**

- 7.1 The Audit Committee is requested to note and approve:
  - The Internal Audit Charter
  - The Internal Audit Strategy for 2019/20;
  - The Strategic Internal Audit Plans 2019/20 to 2021/22; and
  - The Annual Internal Audit Plan 2019/20.

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## **Background Papers**

None

## Eastern Internal Audit Services



### BROADLAND DISTRICT COUNCIL

#### Strategic and Annual Internal Audit Plans 2019/20

Responsible Officer: Head of Internal Audit and Internal Audit Manager

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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 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 Audit Committee should *‘review and assess the annual internal audit work plan’*.

## 2. INTERNAL AUDIT CHARTER

- 2.1 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 Audit Committee every two years, or as required for review.
- 2.2 The latest version of the Charter included at **Appendix 1** of this report has been updated to reference the Internal Audit Manager role, reporting to the Head of Internal Audit and responsibilities for providing management oversight on the performance of the contractor.

- 2.3 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 and Internal Audit Manager 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 **Appendix 2** 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 **Appendix 3** 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 audits are undertaken at the right time and at a time where value can be added.
- 4.3 The discussions also went into greater detail in relation to the scope of the audits for the forthcoming year, including where audits had been deferred from 2018/19 and where joint reporting will be required with South Norfolk to compliment the collaboration agenda. As the collaboration agenda progresses the ambition is for more audit reviews to be undertaken jointly, thus creating efficiencies and enabling comparisons to be made to ensure the best service is provided to all our residents.

### 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 **Appendix 4**. 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 2019/20 totals 141 days, encompassing 12 assignments which will conclude in an audit opinion, two of which are IT audits.
- 5.3 As mentioned above there are five joint audits being undertaken:
- Corporate Governance;
  - Risk Management;
  - Planning and Development Management;
  - Disaster Recovery and Business Continuity; and
  - Network Infrastructure and Security.

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

## APPENDIX 1 – INTERNAL AUDIT CHARTER

### EASTERN INTERNAL AUDIT SERVICES

#### INTERNAL AUDIT CHARTER FOR 2019/20

##### 1. Introduction

- 1.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1 April 2013, these provide a consolidated approach across the public sector encouraging continuity, sound corporate governance and transparency.
- 1.2 The Standards require all internal audit services to implement, monitor and review an internal audit charter; this formally defines the internal audit's purpose, authority and responsibility, and is a mandatory document.
- 1.3 The charter also displays formal commitment to and recognises the mandatory nature of the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics and the Standards, i.e. the International Professional Practices Framework (IPPF).
- 1.4 This Internal Audit Charter is applicable to each of the following internal audit consortium members covered by Eastern Internal Audit Services (EIAS).
- Breckland District Council;
  - Broadland District Council;
  - Great Yarmouth Borough Council;
  - North Norfolk District Council
  - South Holland District Council;
  - South Norfolk Council; and
  - Broads Authority.
- 1.5 The term Local Authority will be used to describe the above consortium members throughout the Charter.

##### 1.6 Mission

Standards require the Internal Audit Function to articulate its overall purpose and summarise the way it will provide value to the organisation. The mission statement for EIAS is as follows:

*“Protecting each of our consortium members ability to enhance value through the provision of independent risk-based assurance and advice”*

- 1.7 This charter:
- Establishes the position and reporting lines of internal audit;
  - Outlines provision for unrestricted access to information, officers, management and members as appropriate;
  - Sets the tone for internal audit activities;
  - Defines the nature and scope of internal audit services, in particular assurance and consultancy services; and
  - Sets out the nature and scope of assurance provided to other parties.
- 1.8 The charter is to be periodically reviewed and presented to Senior Management and the Board for approval. The charter will be reviewed annually by the Chief Audit Executive to confirm its

ongoing completeness and validity, and presented to Senior Management and the Board every 2 years for review.

## **2 Purpose, Authority and Responsibility**

### **2.1 Purpose**

2.1.1 Internal auditing is best summarised through its definition with the Standards, *“an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”*.

2.1.2 Internal audit will provide reasonable assurance to each member of the Internal Audit Consortium, that necessary arrangements are in place and operating effectively, and to identify risk exposures and areas where improvements can be made.

### **2.2 Authority**

2.2.1 The Accounts and Audit Regulations (England) 2015, states that the relevant body 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”*. The statutory requirement for internal audit is recognised in the Constitution of each Local Authority and the internal auditing standards in this regard are the Public Sector Internal Audit Standards.

2.2.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Head of Internal Audit confirms that this person is responsible for the organisation’s internal audit service, including drawing up the internal audit strategy and annual plan and giving the annual audit opinion. The requirements of this statement are fully adhered to by the Chief Audit Executive.

### **2.3 Responsibility**

2.3.1 The responsibility for maintaining an adequate and effective internal audit to evaluate risk management, control and governance processes lies with each Local Authority’s Chief Finance Officer (the Section 151 Officer or Section 17 Officer).

2.3.2 The Local Authority and its Members must be satisfied about the adequacy of the advice and support it receives from internal audit.

2.3.3 Internal audit is provided by Eastern Internal Audit Services, with the Chief Audit Executive responsible for ensuring the internal audit activity is undertaken in accordance with the definition of internal auditing, the code of ethics and the standards.

2.3.4 Senior management are responsible for ensuring that internal control, risk management and governance arrangements are sufficient to address the risks facing the Local Authority. Accountability for responding to internal audit rests with senior management who either accept and implement the recommendations, or formally reject it. Any advice that is rejected will be formally reported.

## **3 Key Relationships and Position in the Organisation**

3.1 The standards require the terms ‘Chief Audit Executive’, ‘Board’ and ‘Senior Management’ to be defined in the context of the governance arrangements in each public sector organisation

in order to safeguard the independence and objectivity of internal audit. The following interpretations are applied within Eastern Internal Audit Services.

### 3.2 Chief Audit Executive

- 3.2.1 The Chief Audit Executive is based at South Norfolk Council and provides the Head of Internal Audit role to all consortium members with the exception of South Norfolk Council.

At South Norfolk Council, the Chief Audit Executive undertakes the Head of Governance role, administratively reporting to the Assistant Director of Resources (Section 151 Officer). Due to extra responsibilities undertaken and the Internal Audit Manager currently finalising qualifications, the Head of Internal Audit role here is undertaken by a contractor to ensure that independence is safeguarded.

- 3.2.2 The Head of Internal Audit reports functionally to the Board and administratively to the Section 151 Officer or Section 17 Officer at all other members of the consortium.
- 3.2.3 The Head of Internal Audit also has a direct line of reporting and unfettered access to the Chief Executive, the Senior Management Team at each Local Authority and the Chair of the Board at each Local Authority. The Head of Internal Audit is also supported by the Internal Audit Manager.
- 3.2.4 The delivery of the Annual Audit Plans and any specified ad-hoc assignments is provided by an external contractor, TIAA Ltd from 1 April 2015. The Chief Audit Executive manages this contract with support from the Internal Audit Manager.

### 3.3 Board

- 3.3.1 In the context of overseeing the work of Internal Audit at each Local Authority, the 'Board' will be the Audit Committee (or equivalent) of the Local Authority, which has been established as part of the governance arrangements. The Audit Committee's responsibilities are discharged through each of the Local Authority's Constitution's and explicitly referred to in each terms of reference.
- 3.3.2 This functional reporting includes;
- Approving the audit charter, audit strategy and risk based annual plans;
  - Receiving regular reports on the outcomes of internal audit activity and performance;
  - Receiving regular reports on management action in relation to agreed internal audit recommendations;
  - Receiving the Annual Report and Opinion of the Head of Internal Audit, alongside a conclusion as to the effectiveness of internal audit;
  - Overseeing External Assessments of the Internal Audit Service, at least once every 5 years.
- 3.3.3 Internal Audit work closely with the chair and members of the Audit Committee to facilitate and support their activities, part of which includes facilitating a self- assessment and providing training.

### 3.4 Senior Management

- 3.4.1 'Senior Management' is those individuals responsible for the leadership and direction of the organisation, and are responsible for specific aspects of internal control, risk management and governance arrangements. There is effective liaison between internal audit and senior management to ensure that independence remains, and provides for a critical challenge.

- 3.4.2 The Head of Internal Audit or Internal Audit Manager meets regularly with the Section 151 Officer or Section 17 Officer to ensure organisational awareness is maintained, to discuss progress with the agreed Internal Audit Plan and to maintain a good working relationship. These arrangements facilitate discussions in relation to the current and emerging risks and issues to ensure that the internal audit plan of work remains reflective and also responds as required.

### 3.5 External Audit

- 3.5.1 Regular liaison is maintained with External Audit to consult on audit plans, and to discuss matters of mutual interest. The external auditors have the opportunity to take account of the work of internal audit where appropriate.

### 3.6 Other Internal Audit Service Providers

- 3.6.1 Where appropriate internal audit will liaise with other internal audit providers, where shared arrangements exist. In such cases, a dialogue will be opened with the Chief Audit Executive to agree a way forward regarding the auditing of such shared services. This is to ensure an efficient and effective approach, and enable reliance on each other's outcomes. Where formal arrangements are entered into a protocol will be determined and agreed by both Chief Audit Executives.

- 3.6.2 Internal audit will also co-operate with all external review and inspection bodies that are authorised to access and evaluate the activities of the Local Authority, to determine compliance with regulations and standards. Assurances arising from this work will be taken into account where applicable.

## 4 **Rights of Access**

- 4.1 Internal audit, with strict accountability for confidentiality and safeguarding records and information, is authorised to have the right of access to all records, assets, personnel and premises and has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. This access is full, free and unrestricted and is set out in each Local Authority's Constitution.
- 4.2 Such access shall be granted on demand and shall not be subject to prior notice, although in principle, the provision of prior notice will be given wherever possible and appropriate, unless circumstances dictate otherwise.

## 5 **Objective and Scope**

- 5.1 The provision of assurance services is the primary role of Eastern Internal Audit Services, thus allowing the Head of Internal Audit to provide an annual audit opinion on the adequacy and effectiveness of the Local Authority's framework of governance, risk management and control, together with reasons if the opinion is unfavourable.
- 5.2 Internal audit will also provide consultancy services, at the request of management. These reviews are advisory in nature and generally performed to facilitate improved governance, risk management and control. This work may contribute to the annual audit opinion.
- 5.3 Whichever role / remit is carried out by internal audit the scope is to be determined by internal audit, through discussions with senior management, however this scope will not be unduly bias nor shall it be restricted.

- 5.4 A risk based Strategic Internal Audit Plan will be developed each year to determine an appropriate level of risk based audit coverage required to generate an annual audit opinion. The plan will be derived from risk assessments, discussions with Senior Management and Audit Committee taking prior year's assurance results into account.
- 5.5 Each audit review will be designed to provide evidence based assurance over the management of risk and controls within that area. The results of each review will be shared with management so that any required improvements can be actioned to restore satisfactory systems of internal control.
- 5.6 It is management's responsibility to control the risk of fraud and corruption; however internal audit will be alert to such risks in all the work that is undertaken. In addition, the Head of Internal Audit is either responsible for, or is consulted on, related policy and strategy. These include for example; Counter Fraud, Corruption, Anti-Bribery, Whistleblowing, Anti-Money Laundering and includes the related promotion and training for officers and councillors.
- 5.7 Through the contract in place with TIAA Ltd there are other services that can be provided, these include: fraud investigations, grant certification and digital forensics.

## **6 Independence and Objectivity**

- 6.1 Internal Audit must be sufficiently independent of the activities that are audited to enable an impartial, unbiased and effective professional judgement. All internal auditors working within Eastern Internal Audit Services, annually confirm their adherence the Code of Ethics, which sets out the minimum standards for performance and conduct. The four core principles are integrity, objectivity, confidentiality and competency.
- 6.2 As contractors the TIAA Internal auditors have no operational responsibility or authority over any of the activities which they are required to review. They do not engage in any other activity, which would impair their judgement, objectivity or independence.
- 6.3 The Head of Internal Audit has overall responsibility for the management and strategic direction of the Internal Audit Service. At South Norfolk Council there are additional responsibilities that fall outside of internal auditing. These include;
- Monitoring Officer
  - Democratic Services
  - Legal Services
  - Freedom of Information
  - General Data Protection Regulation
  - Risk Management
  - Procurement
  - Health and Safety

Safeguards exist to limit any impairments that may occur to the independence and objectivity at South Norfolk Council. The Internal Audit Manager assumes responsibility for the daily management, progress reporting and quality assurance of any internal audit work carried out by the contractor and does not have any involvement in the above mentioned activities.

In line with the PSIAS requirements, until the Internal Audit Manager is CMIIA qualified, the Head of Internal Audit role at South Norfolk Council will be provided by a contractor responsible for presenting the Annual Audit Opinion. The Head of Internal Audit will continue to provide the Annual Audit Opinion for all other consortium members.



- 6.4 If the independence or objectivity of the Head of Internal Audit is impaired, or appears to be, the details of the impairment will be disclosed to the Internal Audit Manager and / or senior management. The nature of the disclosure will depend upon the impairment.

## **7 Professional Standards**

- 7.1 The Internal Audit Service and all Internal Audit staff operate in accordance with all mandatory guidance within the PSIAS including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and Definition of Internal Auditing. Internal Auditors also have regard for the principles contained within the Standards of Public Life.

## **8 Internal Audit Resources**

- 8.1 The Head of Internal Audit will be professionally qualified (CMIIA, CCAB or equivalent) and have wide ranging internal audit management experience to enable them to deliver the responsibilities of the role.
- 8.2 The Head of Internal Audit is supported by the Internal Audit Consortium Manager in ensuring the Internal Audit Service has access through the contract to a team of staff who have the appropriate range of knowledge, skills and experience to deliver the audit service.

## **9 Audit Planning**

- 9.1 The Head of Internal Audit, supported by the Internal Audit Manager develops a strategy, alongside a strategic and annual internal audit plan, using a risk based approach.
- 9.2 The Internal Audit Strategy provides a clear direction for internal audit services and creates a link between the Charter, the strategic plan and the annual plan.
- 9.3 The annual internal audit plan of work, developed as per the Internal Audit Strategy, is derived using a risk based approach, discussed with Senior Management and approved by the Audit Committee. The Head of Internal Audit is responsible for the delivery of the internal audit plan, which will be kept under regular review and reported to the Audit Committee.

## **10 Audit Reporting**

- 10.1 On conclusion of each assurance review included within the annual internal audit plan, a report will be provided to management giving an opinion on the adequacy of controls in place to manage risk. This report will provide an assurance level and associated recommendations to ensure that risks are appropriately addressed.
- 10.2 Management can choose not to accept / implement the recommendations raised, in all instances this will be reported through to the Audit Committee, especially in instances whereby there are no compensating controls justifying the course of action.
- 10.3 A Progress Report is periodically presented to the Audit Committee which includes the Executive Summary of all final reports, any significant changes to the approved plan and the performance of the contractor relative to completing the agreed plan.
- 10.4 A Follow Up Report is also periodically produced for the Audit Committee showing management progress against the implementation of agreed recommendations arising from internal audit assurance reports. The Internal Audit Team will verify and obtain evidence to demonstrate recommendation completion from responsible officers.

- 10.5 An Internal Audit Annual Report and Opinion is produced for Senior Management and the Audit Committee following the completion of the annual audit plan each financial year.
- 10.6 This report includes a summary of all Internal Audit work carried out, details of recommendations that have been implemented by management and the Annual Opinion.
- 10.7 The Annual Opinion is based on the overall adequacy and effectiveness of the Local Authority's framework of governance, risk management and control during the financial year, together with reasons if the opinion is unfavourable. This opinion is reached by considering the results from assurance reviews undertaken throughout the year.
- 10.8 The report also highlights any issues that are deemed particularly relevant to the Annual Governance Statement (AGS) and the results of the review of the effectiveness of internal audit.

## **11 Quality Assurance and Improvement Programme**

- 11.1 The standards require a quality assurance and improvement programme to be developed that covers all aspects of internal audit; including both internal and external assessments.
- 11.2 If an improvement plan is required as a result of the internal or external assessment, the Head of Internal Audit or Internal Audit Manager will coordinate appropriate action and report this to Senior Management and the Audit Committee, as part of the annual report and opinion.

### **11.3 Internal Assessment**

- 11.3.1 Internal assessment includes the ongoing monitoring of the performance of the contractor through the performance measures. These form a key part of service management of the contract and are subject to quarterly reporting to the Internal Audit Manager for review.
- 11.3.2 On conclusion of audit reviews a feedback form is provided to the key officer identified during the audit process. Outcomes are reviewed and relevant improvements discussed with the contractor.
- 11.3.3 The standards also require periodic self-assessment in relation to the effectiveness of internal audit, the detail and outcomes of which are then forwarded to the Section 151 Officer or Section 17 Officer for their independent scrutiny, before the summary of which is provided to the Audit Committee as part of the annual report and opinion. This information enables the Committee to be assured that the internal audit service is operating in accordance with best practice.

### **11.4 External Assessment**

- 11.4.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Organisation. This can be in the form of a full external quality assessment that involves interviews with relevant stakeholders, supported by examination of the internal audit approach and methodology leading to the completion of an independent report, or a validated self-assessment, which the Internal Audit Manager compiles against the PSIAS assessment tool, which is then validated by an external assessor/team. The full external quality assessment is the chosen option for Eastern Internal Audit Services.
- 11.4.2 An external assessment will:
  - Provide an assessment on the internal audit function's conformance to the standards;

- Assess the performance of the internal audit activity in light of its charter, the expectations of the various boards and executive management;
- Identify opportunities and offer ideas and counsel for improving the performance of the internal audit activity, raising the value that internal audit provides to the organisation; and
- Benchmark the activities of the internal audit function against best practice.

11.4.3 In January 2017 Eastern Internal Audit Services was fully assessed by the Institute of Internal Auditors. The conclusion of the review was:

*The internal audit team fully meet most of the Standards, as well as the Definition, Core Principles and the Code of Ethics which form the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. This is described as "Generally Conforms". It means that the internal audit team may state in its audit reports that the work "has been performed in accordance with the IPPF".*

## **APPENDIX 2 – INTERNAL AUDIT STRATEGY**

### **EASTERN INTERNAL AUDIT SERVICES BROADLAND DISTRICT COUNCIL**

#### **INTERNAL AUDIT STRATEGY FOR 2019/20**

#### **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 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 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 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 3 – STRATEGIC INTERNAL AUDIT PLAN

Audit Area	Last review & assurance	Associated Risk	2018/19	2019/20	2020/21	2021/22
<b>Annual Opinion and Governance audits</b>						
Key Controls and Assurance	2017/18 - Reasonable 2018/19 - audit due	High	10	<b>15</b>	10	15
Corporate Governance	2016/17 - Position Statement	High		<b>6</b>		6
Performance Management, Business Planning	2016/17 - Substantial	High			10	
Procurement	2016/17 - Position Statement 2018/19 Reasonable	High	10			10
Risk Management	Was part of Business Planning audit			<b>5</b>		
Broadland Growth	2017/18 - Reasonable	High		<b>10</b>		
GDPR - See Governance - follow up on actions.	2018/19 Reasonable	High	5			



<b>Audit Area</b>	<b>Last review &amp; assurance</b>	<b>Associated Risk</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
<b>Fundamental Financial Systems</b>						
Accountancy Services - includes control accounts, banking, bank reconciliation, asset register, budgetary control and treasury management	2015/16 - Reasonable 2017/18 - Review Due	High		<b>15</b>		15
Accounts Payable (insurance)	2016/17 - Reasonable 2018/19 Reasonable	High	12		12	
Accounts Receivable	2015/16 - Reasonable 2017/18 - Substantial	High		<b>10</b>		10
Income / Remittances	2015/16 Substantial 2017/18 - Substantial	High		<b>8</b>		8
Payroll and Human Resources	2016/17 - Reasonable Draft 2018/19 Reasonable	High	17		17	
Council Tax and NNDR	2016/17 - Reasonable 2018/19 Substantial	High	20		20	
Housing Benefit and Local Council Tax Support	2016/17 - Substantial 2018/19 Reasonable	High	20		20	

<b>Audit Area</b>	<b>Last review &amp; assurance</b>	<b>Associated Risk</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
<b>Service Area Audits</b>						
Economic Development (BCTS, Business Support and Advice and GP Referral)	2015/16 - Reasonable 2016/17 - Reasonable 2017/18 - Reasonable	Medium			10	
Member Services, Training, Allowances & expenses	2013/14 - Reasonable 2016/17 - Position Statement	Low				8
Elections and Electoral Registration	2015/16 - Substantial	Medium				8
Environmental Health - includes emergency planning, community safety, food safety, environmental protection, pest control, dog warden, licensing and pollution control	2017/18 - Substantial (licensing, H&S, Food & Safety) 2018/19 Reasonable	Medium	10		10	
Waste Management - includes contract monitoring, income collection & monitoring, refuse collection, street cleansing, recycling, clinical waste, abandoned vehicles and grounds maintenance	2016/17 - Reasonable	Medium			18	
Community Safety including Early Help Hub	New area	Medium				10
Homelessness, Home Options and Private Sector Leasing	2016/17 - Reasonable	Medium		12		
Housing Strategy and Affordable Housing	2016/17 - Reasonable	Medium			10	
Private Sector Housing - includes DFGs, grants and loans	2016/17 - Substantial	Medium		10		
Planning and development management	2013/14 - Reasonable 2017/18 - Reasonable 2018/19 Deferred	Medium		20		20

<b>Audit Area</b>	<b>Last review &amp; assurance</b>	<b>Associated Risk</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
<b>ICT Audits</b>						
Cyber Crime	2018/19 Reasonable	High	15			
Business Continuity and Disaster Recovery	2017/18 Reasonable	High		10		
Network Security and Infrastructure	2014/15 Reasonable	Medium		10		
Exchange and Ancillary Services	2016/17 - Reasonable	Medium				
IT audit reviews to be determined					30	30
<b>Follow Up of audit recommendations</b>						
Follow up of agreed audit recommendations			10	10	10	10
<b>Total number of days</b>			<b>129</b>	<b>141</b>	<b>177</b>	<b>150</b>

## APPENDIX 4 – ANNUAL INTERNAL AUDIT PLAN

Audit Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
<b>Annual Opinion / Governance audits</b>							
Key Controls and Assurance	15				15		This is an annual review of key controls and feeds into the Statement of Accounts, for those systems not subject to an audit review within the year. This will cover; Accounts Payable, Payroll & Human Resources, Local Council Tax Support & Housing Benefits, Council Tax & NNDR and the assurance framework.
Corporate Governance	6			6		√	Our annual review of corporate governance arrangements will focus on the design and operational effectiveness of processes in place to manage governance at Both Councils. This will include a follow up on GDPR recommendations raised in the 2018/19 audit and will cover assurance over complaint handling.
Risk Management	5				5	√	The Risk Management review was deferred in 2018/19. The Internal Audit Manager is currently undertaking an exercise to assess the maturity of the Risk Management framework at both Councils which will feed into the audit review due to be carried out Q4. Risk Management is considered an integral part of the governance framework and a review of this area is periodically required to feed into the annual opinion. This audit will involve as assessment of the risk management framework at both councils. Areas such as risk appetite, staff training, risk identification and analysis, and monitoring will be evaluated.
Broadland Growth	10		10				Our last review of this area was undertaken in 2017/18 before completion of the Carrowbreck development which has been viewed as a success. Broadland has since moved onto a more traditional 22 unit development at Plumstead. Our review will be undertaken during the delivery phase of the project and will provide assurance that financial and governance arrangements for the project are sufficient and that control documentation is well managed.

Audit Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
Fundamental Financial Systems							
Accountancy Services including control accounts, banking, bank reconciliation, asset register, budgetary control, insurances and treasury management	15			15			These audits involve key financial systems control testing and results feed into the Statement of Accounts. These areas require regular review to confirm the adequacy and effectiveness of controls.
Accounts Receivable	10			10			
Income	8			8			
Service Area Audits							
Planning and Development Management	20				20	v	This area was deferred from the 2018/19 internal audit plan. The planning and development management function is one of the first functions to collaborate. Therefore a joint review will be undertaken to provide assurance that new arrangements are enabling the department to deliver and consistent and efficient service to its customers. This area is very much still in transition and structure/processes have not yet been defined and the audit should reflect this. The review is scheduled in for Q4 to allow the changes to embed and will focus on areas of processing of planning applications, enforcement, the management of Section 106 Agreements and Community Infrastructure Levy's.
Homelessness, Home Options and Private Sector Leasing	12			12			The Homelessness Act Legislation changed in 2018 with criteria for individuals assessed as 'threatened with homelessness' now having been extended from 28 to 56 days. A review has been added to the plan for Q3 to evaluate the impact that this has had on the Council's statutory obligations for preventing homelessness and whether earlier intervention is now being achieved as a result. We will consider Broadlands Homelessness strategy and Rough Sleeping policies to provide assurance that these are being achieved.
Private Sector Housing - includes DFGs, grants and loans	10			10			The Warmer Homes Fund project will be reviewed during this audit to provide assurance that the team are managing grant audit requirements effectively. Our review will also consider the effectiveness of the DFG process.

Audit Area	No of days	Q1	Q2	Q3	Q4	Joint	Notes
<b>ICT Audits</b>							
Disaster Recovery and Business Continuity	10		10			√	This area was last reviewed in 2017/18 and was given reasonable assurance. This area is viewed as a high risk due to infrastructure capabilities. There is a long- term aspiration to increase the DR resilience at both Broadland and South Norfolk by sharing these services. This review will therefore be joint and focus on the similarities of the DR offering at both Councils, provide assurance that DR plans are closely linked with Business Continuity Arrangements and are regularly tested to check their adequacy.
Network Infrastructure and Security	10			10		√	This area has not been reviewed since 2013/14. South Norfolk and Broadland plan to start understanding how assets are deployed and utilised at both sites. This review will therefore focus on firstly network security controls. The audit will also review the availability of asset management information used to identify redundant kit and to provide assurance that going forward the two teams can work together on systematically decommissioning and purchasing kit based on reliable data.
<b>Follow Up</b>							
Follow up of agreed audit recommendations	10	2	3	2	3		
<b>Total</b>	<b>141</b>	<b>2</b>	<b>23</b>	<b>73</b>	<b>43</b>		

**Agenda Item: 7**

**Audit Committee  
14 March 2019**

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## **ANNUAL FRAUD UPDATE**

**Report Author:** Kerrie Wilton, Corporate Fraud Officer  
tel: 01603 430406  
email: [kerrie.wilton@broadland.gov.uk](mailto:kerrie.wilton@broadland.gov.uk)

**Portfolio Holder:** Finance

**Wards Affected:** All

**Purpose of the Report:** Annual report on the counter fraud activities of the Council.

### **Recommendations:**

to

1. Note the report and the Fraud Plan for 2019/20; and
2. Recommend to Cabinet that the Council continues to participate in the Norfolk Fraud Hub.

## **1 SUMMARY**

- 1.1 This report provides details of the counter fraud work undertaken during 2018/19 and sets out the Fraud Plan for 2019/20 (Appendix 1). It also includes an update on the Council's activities under the Regulation of Investigatory Powers Act 2000 (RIPA).

## **2 BACKGROUND**

- 2.1 The Corporate Fraud Service has been in operation since May 2014. The Service is led by the Head of Finance and Revenue Services and continues to be staffed by a part time officer (22.5 hours per week).

## **3 CURRENT POSITION**

- 3.1 This year the work has continued to focus on the prevention of fraud and raising the profile of the service internally and externally. There have been several new business areas that the Corporate Fraud Officer has worked alongside; these have included Housing Team (Discounted Market Sale properties), The Police (The Help Hub), Norfolk County Council Fraud Hub and the Department for Work and Pensions.

## **4 ACTION IN YEAR**

- 4.1 The Corporate Fraud Officer has continued on the self-starting project commenced in 2017/18 to identify previously unknown holiday accommodation and public use swimming pools in the District, this has continued to be an additional source of referrals for several internal departments; Business Rates, Council Tax, Planning, Planning Enforcement and Environmental Health's Licencing and Waste Teams using the intelligence gathered. All of these departments have benefited from additional income streams and some will remain so for the foreseeable future.
- 4.2 The National Fraud Initiative (NFI) matches for 2019 have just been released following the uploading of the data in December 2018, these covered Council Tax Reduction Cases, Housing Benefit cases, Personal Alcohol Licence Holders, Taxi Licence Holders, Creditors, Payroll, Housing Waiting List. These will be reviewed over the coming months by the Housing Team, the Accounts Department as well as the majority being reviewed by the Corporate Fraud Officer, however due to her additional responsibilities this may well be restricted to the high risk matches only. It is clear that some matches cannot be avoided as all of the contributors to the data matching service continue to run different computer systems, which all have their anomalies. The NFI pilot scheme to match Business Rates data was launched last year and despite registering an interest in the project we were not included. This was very disappointing as this would have assisted us in the identification of un-registered businesses and those that are fraudulently claiming Small Business Rate Relief.



- 4.3 The Corporate Fraud Officer has engaged with the new Fraud Hub that Norfolk County Council has set up and funded for 13 months from January 2019 (Appendix 2). After the trial period has expired they will require an ongoing annual payment of £4,080, this will be in addition to the £2,200 that we are already charged to take part in the mandatory exercise. This will require all City, District and Borough Councils in Norfolk to submit data via an online portal in the same way that we do currently for NFI and using the same data sets. There have been several discussions to formulate the types of information that will be initially fed into the Hub and the ways to grow it over the coming months. Careful consideration will have to be given to resourcing this at District level as the current bi-annual NFI data sharing exercise is already very labour intensive, both in uploading the data, dealing with the matches when they are released to us for initial sift and conducting any investigations that are required. The aim of the Hub is to allow data to be shared across the County on a more frequent basis to minimise areas of risk for both the District as well as the County Council to minimise and detect early fraud attempts in areas such as Council Tax Single Persons Fraud, Council Tax Reduction and Housing Fraud, Blue Badge fraud and Social Care Fund fraud. Consideration is being given to roll this out to the neighbouring counties of Suffolk, Lincolnshire and Cambridgeshire to provide a wider level of data sharing. As the resulting matches will also have implications for the Department for Work and Pensions Fraud Teams, the Corporate Fraud Officer has requested that they are invited to participate in the discussions.
- 4.4 The Council's website continues to promote the reporting of fraudulent activity by the public for all areas within the Council's business. The referrals received are sporadic using this method and some people still prefer to make direct contact and talk to either the departments directly or using the fraud hotline.
- 4.5 The Corporate Fraud Officer continues to have operational responsibility for the Council's arrangements under the Regulation of Investigatory Powers Act, 2000 (RIPA). Our arrangements for using these powers are set out in our RIPA Policy (available on the Broadland website).
- 4.6 We are still required to produce an annual return to the Office of Surveillance Commissioners (OSC), which in 2017/18 confirmed that no authorisations had been sought from the Courts using the RIPA arrangement (which has been the case for the last 10 years). We are still waiting for our return to be received for this year, however again no authorisations have been requested.
- 4.7 Norfolk County Trading Standards continue to be a good 'go to' contact for the Corporate Fraud Officer and they regularly share information for the purpose of detecting crime.
- 4.8 The Council Tax Team has undertaken a review of the recipients of the 25 percent Single Person's Discount again this year with assistance from Northgate Public Services. This has identified cases where the discount may have been fraudulently claimed and these will require further investigation and appropriate action taken.

- 4.9 The Department of Works and Pension's Single Fraud Investigation Service agreed that from 13 December 2018 that the Corporate Fraud Officer will be able to attend interviews under caution again to present cases of Council Tax Reduction fraud alongside their investigations of means tested benefits including Housing Benefit. The Corporate Fraud Officer recently requested that the Crown Prosecution Service pursue a Housing Benefit overpayment of £14,674.62 and following a Proceeds of Crime Act 2002 hearing, Broadland District Council was awarded a full compensation order and the claimant was given six months to repay the overpayment in full or face a custodial sentence.

## 5 OTHER OPTIONS

- 5.1 It is requested that the Council consider its ongoing support and financial commitment to participating in the Norfolk Fraud Hub at a cost of £4,080 for 2019/2020.

## 6 ISSUES AND RISKS

- 6.1 **Resource implications** – the Council has a budget for staffing costs and some other service costs. This budget will be reviewed each year to ensure it is appropriate for the service. Any additional budget will first be considered within the corporate efficiencies available before requesting growth.

Any direct income will be credited to the service. This will include fees for work undertaken on behalf of other authorities.

It should be recognised that any efficiencies or prevention may also be recognised outside the service and the savings are identified elsewhere.

- 6.2 **Legal implications** – any investigations are conducted following the relevant legislation and regulations. Advice and support is given by both the Head of Internal Audit and NPLaw.
- 6.3 **Equality implications** – prevention of fraud will protect the Council's funds for all tax payers.
- 6.4 **Environmental impact** – there is no environmental impact, arising from this report.
- 6.5 **Crime and disorder** – the implementation of the Fraud Plan will have an active impact on the level of fraud in the District
- 6.6 **Risks** – in order to continue to function in an ever-changing landscape the Council will need to assess the risks to its finances and appraise the resources required to tackle the risks.

## **7 CONCLUSION**

- 7.1 This service is gathering pace across the Council and is looking forward to sharing its expertise with South Norfolk District Council over the coming months.

## **8 RECOMMENDATIONS**

- 8.1 The Audit Committee is requested to:
1. Note the report and the Fraud Plan for 2019/20; and
  2. Recommend to Cabinet that the Council continues to participate in the Norfolk Fraud Hub.

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### **Background Papers**

None.

### Fraud Plan 2019/20

Areas to be covered:

1. Rolling review of Members' Interests
2. Commence joint working investigations and interviews under caution with the Department for Work and Pensions to include Council Tax Reduction fraud.
3. To provide support to the Council Tax Department to resolve outcomes of single person discount review and consider the application of sanctions. This will feed into internal audit's testing in 2019/20.
4. Continue with the identification of unknown businesses within the District.
5. Review of procurement in conjunction with internal audit during 2019/20.
6. To play an active role in the Fraud Hub (Norfolk County Council) both in providing data and securing outcomes.
7. To continue to provide ad-hoc support to local housing associations to assist with prevention of Social Housing fraud.
8. To liaise with town and parish councils and offer support.
9. Continue to work with colleagues to progress fraud investigations when potential fraud is highlighted at a local and at County level.
10. Support the Government data matching service to identify fraud.

### Norfolk Fraud Hub - Implementation Plan

#### Document Purpose

The purpose of this document is to define the implementation of the Norfolk FraudHub. The Project Implementation Process (PIP) addresses the following fundamental aspects of the project:

- What the project aims to achieve?
- Who will be involved in managing the project and what are their roles and responsibilities?
- Project timetable of key milestones

Once approved, this PIP will provide the “baseline” for the project and will become “frozen”. Any requested amendments will be subject to a change control procedure (detailed within this document). It will be referred to whenever a major decision is taken about the project and used at the conclusion of the project to measure whether the project was managed successfully and delivered an acceptable outcome for the customer.

#### Project Background & Purpose

To develop and deliver NFI FraudHub for Norfolk County Council and surrounding geographic FraudHub members. The solution will be easy to access, and on an easy to use data platform, which allows Norfolk Fraudhub and other stakeholders to detect and prevent fraud, on behalf of the UK taxpayer.

#### Project Deliverables

The solution will provide a full managed service, resulting in the matching and hosting of data within the NFI web portal.

The Synectics project management and implementation methodology is derived from the PRINCE2 scheme but has 2 key underlying principles which will deliver significant benefit:

- Our emphasis is on flexibility.
- We project manage and build our solutions around individual client needs rather than impose particular processes and practices.

#### System Goals

The provision of a secure solution to enable the following:

- FraudHub members to provide data in a controlled manner securely at all times.
- A system that allows the information from FraudHub Members to be imported, validated, manipulated, compared and analysed with a view to provide evidence and insight in relation to various aspects of benefit and service claims where we believe there to be error or fraud.
- A positive user experience to increase usage and detection of fraud
- A system that allows updates and subsequent submissions to be made to update customer records in line with customer live cycles.
- Supports as a minimum, the combination of instant interrogation on individual records and batch check reporting functionality
- A solution that provides varying levels of segregation between user groups as defined and created by system administrators
- A system that facilitates the production of various reports and management information reports
- The solution is flexible and once agreed with the Cabinet Office will cater for the extension of information sharing and data matching, beyond the initial business requirements, and will allow new data sets or intelligence to be incorporated easily.
- System architecture and technology that is future proofed to move with enhancements and advancements.



# Cabinet Office

## Business Goals

Provides quantifiable results against a range of business objectives:

- Supports improvements to the accuracy of all data sets accessed
- Improves user experience and provides a standard hub of intelligence to users
- Detects / prevents fraud
- Increases closer cooperation / partnership between the working FraudHub members
- Provides Norfolk County Council and FraudHub members the reassurance, that security policies, and data sharing agreements are in line with GDPR
- Provision of a cost-effective system that's performance provides sufficient economies across all users.

Proposed activities time table subject to contract signature or requests from Norfolk County Council:

<u>Initiation</u>	<u>Responsibility</u>	<u>Provisional Date</u>
Draft contract to be shared with client.	CO /Client	December 3 <sup>rd</sup> 2018
Contract to be signed and returned to the Cabinet Office by Norfolk County Council	CO /Client	December 21 <sup>st</sup> 2018
Client to identify nominated FraudHub administrator/s and lead members from all authorities, contact details and names to be sent to Synectics Solutions to establish credentials within the system	Client	December 21 <sup>st</sup> 2018
Client to provide logo and full names, that the hub will display on logon screen to all members	Client	December 21 <sup>st</sup> 2018
<u>Training</u>		
Initial Onsite Training Workshop for key users of the system 1-2 days	SSL/Client	W/C 7 <sup>th</sup> January 2018
System is switched on and first datasets are uploaded by FraudHub members. Coaching will be performed over the phone to each member to confirm they are comfortable with upload and review data matches	SSL/Client	W/C 7 <sup>th</sup> January 2018
Capability Checks and user sign off	SSL	14 <sup>th</sup> January 2018
Norfolk FraudHub joins nursey programme Coaching on phone and weekly calls to ensure all users are confident in usage FraudHub Administrator/s are competent and happy with their roles.	SSL/Client	2 months from 14 <sup>th</sup> January 2019
1 <sup>st</sup> Quarterly audit and implementation review onsite visit	SSL/Client	w/c 1 <sup>st</sup> April 2019



# Cabinet Office

Roles and Responsibilities:

## Synectics Solutions/Cabinet Office

<u>Person / Department</u>	<u>Roles and Responsibility</u>
Cabinet Office Manager	Contractual negotiations and service level agreements
SSL Programme Manager	Overall programme responsibility Initial escalation point Training and stakeholder communication
SSL Project Support	Main point of contact Report on project progress Manage customer relationship Deal with day to day support issues post go-live

## Client

<u>Department</u>	<u>Roles and Responsibility</u>
Project Sponsor	Review and authorise the project contractual agreements Ensure required resources are committed to the entire project
Legal	Contract completion
FraudHub Administrator/s	Manage the project activities and the team from a client perspective Main point of contact within Norfolk FraudHub for Synectics Project Manager and Project Support Escalate concerns and become the main communications point on behalf of Synectics Project Manager across all members of Norfolk FraudHub and its members
FraudHub User	Provide support to the FraudHub Administrator in terms of defining business/data requirements, fraud vetting priorities, etc. Uploading and using the system as per defined specification

## Implementation Stages

<u>Stage</u>	<u>Inputs/Outputs</u>
Stage 1 – Start-up & Contract exchange	<b>Inputs:</b> Conference calls & email exchange with CO  <b>Outputs:</b> Signature of contract defining delivery timetable and members
Stage 2 – User Training	<b>Inputs:</b> Training Workshop  <b>Outputs:</b> Communications plan across stakeholders and user base Fully trained user base
Stage 3 – Nursey Programme and Support	<b>Inputs:</b> Weekly calls and monitoring of data usage and matches  <b>Outputs:</b> Confident user base
Stage 4 – Review & Handover to BAU	<b>Inputs:</b> Meeting to review Project implementation and communication BAU support function  <b>Outputs:</b> Communication & understanding of BAU system support provided

## **WORK PROGRAMME**

11 or 20 June 2019	<ul style="list-style-type: none"><li>• Joint Audit Committee training at the Broads Authority, Yare House</li></ul>
27 June 2019	<ul style="list-style-type: none"><li>• Annual Report and Opinion 2018/19</li><li>• Annual Governance Statement</li><li>• Risk Management Assessment</li></ul>
25 July 2019	<ul style="list-style-type: none"><li>• Final Accounts 2018/19</li><li>• Audit of Accounts</li></ul>
9 January 2020	
12 March 2020	<ul style="list-style-type: none"><li>• Fraud Update</li></ul>