

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

RESOURCES AND PERFORMANCE – AUDIT AND RISK COMMITTEE

**Minutes of a Meeting of the
Resources and Performance – Audit and Risk Committee,
held on Tuesday 24 April 2012 at 7.05 pm, in the Committee Suite,
King's Court, Chapel Street, King's Lynn**

PRESENT:

Councillors P Beal (Chairman), C J Crofts (Vice-Chairman),
M Chenery (*substitute for Councillor A Morrison*), Mrs J Collingham, D J Collis,
J Collop, Mrs S Collop, T de Winton, H Humphrey, J Loveless,
D Tyler, G Wareham and A White

Apologies for absence were received from Councillors Mrs K Mellish and A Morrison

ARC126: **APPOINTMENT OF VICE-CHAIRMAN**

RESOLVED: That Councillor C J Crofts be elected Vice-Chairman for the meeting.

ARC127: **MINUTES**

The minutes of the meeting held on 27 March 2012 were confirmed as a correct record and signed by the Chairman.

ARC128: **DECLARATIONS OF INTEREST**

There were no declarations of interest.

ARC129: **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business to report.

ARC130: **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

ARC131: **CHAIRMAN'S CORRESPONDENCE**

The Chairman had no correspondence to report.

ARC132: **MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS RECOMMENDATIONS/REQUESTS**

There were none.

ARC133: **INTERNAL AUDIT PLAN 2011/2012 – QUARTERLY PROGRESS REPORT FOR THE QUARTER JANUARY TO MARCH 2012**

The Audit Manager presented the report which showed the Internal Audit activity for the quarter January to March 2012 against the Strategic Audit Plan 2011/2014.

Members were reminded that the CIPFA Code of Practice for Internal Audit in Local Government required Internal Audit to have an Annual Plan. Performance against the plan should be monitored by the Audit Manager and reported during the year to the Audit and Risk Committee.

The reports issued during the quarter January to March were noted as set out at Section 2.2 of the report.

The Committee was advised that the following audits were ongoing at the end of the quarter and would be reported in the next quarterly report:

- Inventories and Asset Management.
- General Ledger.
- Health and Safety.
- Capital Programme.

The Audit Manager outlined the other work carried out in the quarter as detailed at Section 2.4 of the report.

Delivery of the Audit Plan

The Committee was informed that a target of 95% had been set to take into account any work that may overlap at year end and also to allow for any additional work that may arise during the year. The table set out at Section 3.1 summarised the position against the approved Audit Plan 2011/2012.

Audit Questionnaires returned with Satisfactory Scores

The Committee noted that of the 29 questionnaires issued during this year, 20 had been returned, of which 95% had satisfactory scores. The reason for the 5% with lower scores was reported in the last quarterly report in January 2012.

Productive Time

A target of 70% for the full year was set and overall this year the final figure was 65%.

Work planned for the next Quarter April to June 2012

The Audit Manager advised that work would start on the 2012/2013 Audit Plan as presented to the Committee on 31 January 2012. It was highlighted that in addition to the ongoing work outlined above, the following audits were planned for the next quarter:

- Town Hall (from 2011/2012 plan).
- Grounds Maintenance.
- Environmental Quality – Land drainage.
- General IT Controls (including Networks).
- Rental Income (including industrial rents, Beach Huts and Allotments).
- Car Leasing.
- Printing.
- Economic Regeneration.
- GIS.
- S106/CIL.
- Markets.
- Annual Governance Statement Review.

Those present were informed that other work to be carried out in this quarter would include the Annual Audit Report from the Audit Manager; ongoing work to assist with the data conversion relating to the Shared Services Agreement for Revenues and Benefits; and preparation of a Service Level Agreement for future audits relating to the Shared Services Agreement. In addition, the Audit Manager would continue to manage and report on the Corporate Risk Register.

The Committee was advised that there were also a number of Follow-up reports falling due within this quarter. An allocation of time had not been given to individual follow-up audits, but a total amount of 15 days had been allocated in the audit plan each year for this work.

In conclusion, the Audit Manager advised that progress for the year had been satisfactory, with no major issues arising during the year to disrupt the planned work. The outstanding audits were very close to completion and would be presented at the next quarterly report in July.

Councillor C J Crofts referred to Section 4.1 – Rental Income which included allotments, and asked if when the Council leased allotments to societies, and an increase in rent occurred, who received the additional income. In response, the Deputy Chief Executive explained that there had been no rent

increase on council controlled allotments. With regard to the additional income generated from rent increases made by Allotment Societies, it was assumed that the relevant society would retain the income. However, the Deputy Chief Executive undertook to check that this was the case.

(Following the meeting, the Deputy Chief Executive confirmed this to be the case).

Councillor de Winton expressed concern that in one area of King's Lynn additional allotments were being created before making use of the existing ones. Councillor D J Collis explained that the allotment site being referred to was not creating new plots; it was a redistribution of those already in existence.

Councillor de Winton commented that there was a busy workload outlined for the Internal Audit Team and asked the Audit Manager if this was a realistic programme of work and was there enough resource within the existing team. In response, the Audit Manager advised that within the Annual Audit Plan, audits had been allocated the required timescale. She added that she was confident that the work outlined could be resourced within the current in-house team. The Audit Manager explained that some work may be carried forward from each quarter and that it was anticipated that the Environmental Quality Audit would slip.

The Deputy Chief Executive added that following the Accountancy Review, it had been identified that the Council should create a Trainee Accountant Post, and as part of the training would assist the Internal Audit Team which would add a resource. Members were advised that there was also a contract budget if required to commission specialist advice.

Councillor Humphrey referred to Section 3.3 – productive and unproductive time and commented that this appeared misleading. In response, the Audit Manager undertook to review the wording to provide a better definition.

Councillor Loveless referred to Section 4.1 and asked for clarification on the audit to be undertaken on Grounds Maintenance. The Audit Manager explained that the audit would cover all the work undertaken by the Leisure and Public Space Service Area. The audit would look at how the work schedules were managed and organised, but would not include monitoring the work undertaken. The Audit Team would ensure the operational processes and arrangements across the Borough were carried out in a sensible and efficient way.

Councillor Loveless asked what the audit would involve relating to land drainage. In response, the Audit Manager advised that the Borough Council had certain responsibilities for some drains if they crossed the Council's land. Currently, there appeared to be a lack of overall co-ordination with the Council's service areas as well as the Internal Drainage Board and Anglian

Water Authority. The Audit would be undertaken to take a high level look at the Borough Council's responsibility. Such an audit had not been previously undertaken, but previous work in co-ordination had been. The Deputy Chief Executive explained that the Property Services Team had plotted all the ditches and dykes which appeared to be the Borough Council's responsibility on the GIS System. The Council had also held discussions with the Internal Drainage Board regarding the responsibility of some of the Borough Council's watercourses. Members were informed that the Borough Council could determine to buy in the specialist advice required from the Internal Drainage Board. The overall control would therefore be tested during the audit process.

Councillor Loveless referred to Page 6 – Audits completed in Quarter 4, 2011-2012 and asked if the Car Parks Audit had included the civil enforcement parking. In response, the Audit Manager explained that the Car Parks Audit had been split into 3 areas:

- Routine Car Park Audit.
- Systems operated to include North Norfolk Car Parks.
- How the Civil Enforcement Scheme was operating.

The Deputy Chief Executive informed Councillor Loveless that the civil enforcement parking operation would be reported to a future meeting of the Regeneration, Environment and Community Panel.

Following further questions from Councillor Loveless, the Audit Manager explained that the address management work was now undertaken within the Planning Service Area. Councillors Beal and de Winton commented that they had recently contacted the officers undertaking the address management role and had received an excellent service.

RESOLVED: The Committee noted the report

ARC134: **PROTOCOL FOR LIAISON BETWEEN INTERNAL AND EXTERNAL AUDIT 2012/2013**

The Chairman announced that this item had now been withdrawn.

The Deputy Chief Executive explained that there would be no protocol with PricewaterhouseCooper for 2012/2013 because a letter had been received by the Chief Executive from the Audit Commission to consult the Council on the appointment of Ernst & Young LLP to audit the accounts of the authority for five years from 2012/13. The appointment would commence on 1 September 2012.

ARC135: **THE FUTURE PROVISION OF LOCAL EXTERNAL AUDIT**

In presenting the report, the Audit Manager reminded Members that since March 2011, the Department for Communities and Local Government had been consulting on proposals for local public bodies to appoint their own independent external auditor. The report presented the response from the Government and options that Members would need to consider. The Committee was also informed that the report also included the results of the recent tender process by the Audit Commission to outsource their in-house audit work.

The Audit Manager explained that at present the Audit Commission appointed the Council's external auditors and monitored their standards of work. As a result of the decision in August 2010 by the Secretary of State for Communities and Local Government (CLG) to disband the Audit Commission, alternative procedures needed to be established to enable external auditors to be appointed in future.

A consultation document from the CLG was reported to the Committee on 1 June 2011, together with the proposed response. The response was forwarded to the CLG the following day.

The Audit Manager advised that since that date, the Audit Commission had undertaken a tender exercise to outsource its own audit work to private audit providers. The results of that exercise were announced on 5 March 2012.

In January 2012, the CLG published the 'Government response to the future of local audit consultation' which outlined what the Government now proposed for the new arrangements for audit of principal public bodies. A full copy of the document was attached at Appendix 1 to the report.

The Audit Manager explained that the proposal contained within the document was largely in line with the views expressed by the Committee in the original consultation. However, there were implications that the Committee needed to consider and possibly take to Cabinet and Council at some point in the future.

Members were informed that the CLG proposed that external auditors were appointed by Full Council on the advice of an Independent Audit Appointment Panel (IAAP). The distinctive feature of the IAAP was that it must have an Independent Chairman and a majority of Independent Members. Although it would be the Full Council who would officially appoint the auditor, it would be acting on the advice of the IAAP or would need to publish the reason for not doing so. It was noted that there may be an option to share an IAAP with other local public bodies. In line with the requirements of the IAAP, the Committee would need to consist of a majority of independent members and independently chaired.

The Audit Manager advised that the issues listed below would need to be considered at some point:

- Does the Council prefer to use an IAAP, or
- Should the Audit and Risk Committee be used, in which case its format would need to be radically altered to conform to the independence criteria stated?
- If an IAAP was used, should the Council establish one solely for this Council or join with other councils to share one?

Intervening Auditor Appointments

Members noted that on 5 March 2012, the Audit Commission announced the firms that would take-over its in-house audit work from 2012-2013. There were ten contracts spread over four regions, for five-year periods. Ernst and Young won the contract for the Eastern Region.

The Audit Manager explained that the existing contracts for the work not performed by the Audit Commission staff would continue until 2016-17. This applied to the Council's Auditors, PWC. However, approaches had been made to the Audit Commission to establish if the Council could be transferred to Ernst and Young as the contract with PWC had already exceeded the time recommended by good practice to maintain auditor independence.

It was highlighted that the announcement also claimed that there were potential savings of 40% from fee reductions with the outsourced contracts and it had been confirmed that the reduction would also apply to the Council's current arrangements.

The timescales involved were outlined as set out at Section 4 of the report.

In conclusion, the Audit Manager advised that the response provided a clearer indication of the direction the Government was moving in and recognised that further work was still needed to finalise the details.

The Audit Manager explained that the need for an independent body, to provide advice to the Council during the procurement process and to act as an arbiter if necessary, was being established. However, whether that body was in addition to the existing Audit Committee or if the existing committee would need to change radically to fit the profile required would need to be decided before 2016-2017 when the procurement process began.

Any further updates would be brought to the Committee to allow fully informed discussions to take place at the appropriate time.

Councillor de Winton commented that he did not think that the Council was

required to have an Independent Panel. In response, the Deputy Chief Executive explained that the arrangement would be similar to the Members Allowances Panel which comprised Independent Members who would make a recommendation to Full Council. If the Council determined to ignore the advice of the Independent Panel it would need to set out the reasons why.

Councillor Mrs Collingham expressed concern that Independent Members would be paid and it was therefore a good suggestion to share an Independent Panel on a Norfolk wide basis.

Councillor Humphrey commented that he supported the Norfolk wide approach and asked the Deputy Chief Executive if this arrangement had been discussed with any other authority.

Councillor Crofts concurred with the comments made by Councillors Mrs Collingham and Humphrey.

In response to comments made by Councillor Humphrey, the Deputy Chief Executive explained that discussions had not yet been held with any other Norfolk authority. However, it was anticipated that the consultation response would be considered at a future meeting of the Norfolk Chief Executives.

The Deputy Chief Executive informed the Committee that the Council's Chief Accountant and Audit Manager would be attending a meeting hosted by Ernst and Young in Cambridge on 14 May 2012. The Chief Executive and himself would then request a meeting with senior partners. Ernst and Young would then be introduced to the Audit and Risk Committee at a future meeting.

Councillor Collingham commented that the consultation document indicated that Ernst and Young would undertake the audit work at a lower rate than PricewaterhouseCooper. The Deputy Chief Executive explained that the announcement also claimed that there were potential savings of 40% from fee reductions with the outsourced contracts and it had been confirmed that the reduction would also apply to the Council's current arrangements.

Councillor Humphrey asked if a local company could be used as the Council's External Auditor. The Deputy Chief Executive advised that it was difficult for local companies to carry out the required audit work as some were not accustomed to Local Government accounting methods.

RESOLVED: The Committee noted the update and considered the options raised.

ARC136: **AUDIT AND RISK COMMITTEE WORK PROGRAMME**

The Committee considered its Work Programme.

RESOLVED: That the Committee's Work Programme be noted.

ARC137: **DATE OF NEXT MEETING**

The Committee noted that the next meeting would be held on Tuesday 29 May 2012.

The meeting closed at 7.42 pm