

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

RESOURCES AND PERFORMANCE PANEL – AUDIT AND RISK COMMITTEE

Minutes of a Meeting of the Resources and Performance Panel – Audit and Risk Committee held on Tuesday 25 June 2013, at 7.20 pm, in the Committee Suite, King's Court, Chapel Street, King's Lynn

PRESENT:

Councillors P Beal (Chairman)
Miss L Bambridge (*substitute for M L Langwade*), A Bubb (*substitute for J Loveless*),
M Chenery (*substitute for C J Crofts*), J Collop, P Cousins, I Gourlay,
H Humphrey, T de Winton, A Lovett (*substitute for A Morrison*),
C Manning (Vice-Chairman), J Moriarty (*substitute for D J Collis*), D Tyler and A Wright

Councillor N J Daubney, Leader and Portfolio Holder for Resources

Observing:

Councillor Mrs S Smeaton

Apologies for absence were received from Councillors D J Collis, C J Crofts,
J Loveless, M Langwade and A Morrison

ARC13: **MINUTES**

The Minutes of the Resources and Performance Panel – Audit and Risk Committee meeting held on 10 June 2013 were confirmed as a correct record and signed by the Chairman, subject to Councillor Humphrey being added to the list of those present.

ARC14: **DECLARATIONS OF INTEREST**

There were none.

ARC15: **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business to report.

ARC16: **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

ARC17: **CHAIRMAN'S CORRESPONDENCE**

The Chairman had no correspondence to report.

ARC18: **MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS COMMITTEE RECOMMENDATIONS/REQUESTS**

The Committee noted the responses made by Cabinet at its meeting held on 17 June 2013 to the recommendations made by the Resources and Performance Panel – Audit and Risk Committee at its meeting held on 10 June 2013 in respect of the following items:

- Revenue Outturn 2012/2013.
- Capital Programme and Resources 2012/2016.
- Annual Treasury Report 2012/2013.

ARC19: **INTERNAL AUDIT ANNUAL REPORT 2012/2013**

The Deputy Chief Executive explained that the report provided Members with an overview of the work undertaken by the Internal Audit Section during the 2012/2013 financial year against the Strategic Audit Plan 2012/2015, and provided an assurance opinion to support the Annual Governance Statement.

Members were informed that the Internal Audit Report included the Audit Manager's opinion on the system of internal control and the sources of assurance used to form the opinion. To support the stated opinion, the report described the work carried out by Internal Audit during 2012-13 and summarised the resulting findings. It also reflected on the performance against the strategic plan and the effectiveness of the internal audit team.

The Deputy Chief Executive advised that on the basis of the work undertaken during the year, it was considered that the key systems operated in a sound manner and that there had been no fundamental breakdown in control resulting in material discrepancy.

Members were reminded that the Council had appointed new external auditors this year. As Ernst and Young had only recently commenced their audit work with the Council, they did not have sufficient familiarity with the work of the Internal Audit Team to be able to confirm their reliance on it at the time of writing the report.

In conclusion, the Deputy Chief Executive explained that the system of internal control was designed to manage risk to a reasonable level, and therefore could not provide absolute assurance. Notwithstanding the above, based on the audit work completed during 2012-13, it was the opinion of the Audit Manager that:

- Adequate assurance could be gained in respect of the overall systems of internal control operating within the Council.
- Risk management systems and corporate governance arrangements were satisfactory.

Members were invited to comment/ask questions.

There were no comments or questions from the Panel.

RESOLVED: The Committee noted the report.

ARC20: **REVIEW OF THE EFFECTIVENESS OF THE INTERNAL AUDIT SERVICE**

In presenting the report, the Deputy Chief Executive explained that the review of the effectiveness of Internal Audit 2012-13 had been completed with reference to the Chartered Institute of Public Finance Accountants (CIPFA) 'Code of Practice for Internal Audit in Local Government in the United Kingdom.' From 1 April 2013, the Code was replaced by the Public Sector Internal Audit Standards (PSIAS) and would be applied for 2013-14.

The Committee noted that the Audit Manager's Annual Report presented earlier in the meeting confirmed that the work carried out during the year did not raise any concerns on the system of Internal Control.

The Deputy Chief Executive drew the Committee's attention to the following sections of the CIPFA – Checklist for Compliance with the Code of Practice for Internal Audit 2006 as set out below.

1.2.3 – Where services are provided in partnership has the Audit Manager identified: (a) how the assurance will be sought? (b) agreed access rights where appropriate?

The Audit Manager did not have any concerns relating to the Terms of Reference relating to services provided in partnership.

1.2.4 Is the Audit Manager consulted on all major projects, programmes and policy initiatives to offer advice on the associated control arrangements and risks?

If it was relevant the Audit Manager would be consulted on all major projects, programmes and policy initiatives.

7.2.5 Does the plan (c) prioritise audits

Core Audits were only prioritised. The prioritisation of audits was being revisited.

8.2.1 Is a risk based audit approach used?

A combination of risk and straightforward systems approach.

10.3.3 Where appropriate is a revised opinion given following a follow-up audit and reported to management

The follow-up report commented on the progress in implementing the agreed action plan. It did not change the original findings.

11.3.7 Is the internal audit service subject to a regular external review?

Opinion of the Internal Audit Service would be reflected to some degree in the audit of the Council by Ernst Young.

In conclusion, the Committee was advised that the Internal Audit team continued to comply with the Code and provided an effective assurance service, as well as adding value to the Council's services.

Councillor Humphrey referred to 1.2.1 and asked who would carry out the independent audit of risk management. The Deputy Chief Executive explained that the Audit Manager had been in contact with the Audit Team at Norfolk County Council and other District Councils to consider who would carry out the independent audit.

In response to questions from Councillor Humphrey relating to reference 3.3.2 and 6.1.2, the Deputy Chief Executive undertook to ask the Audit Manager to respond to Councillor Humphrey direct. Since the meeting, the following response has been received and emailed to the Committee:

CIPFA ref 3.3.2 – Apart from the Trainee Accountant, the audit team staff do not undertake any operational duties and therefore this conflict of interest would not arise. However to expand on this, where a member of the team is involved in a consultative role for a project, the Audit Manager would ensure that another auditor undertakes the next audit of that area.

CIPFA ref 6.1.2 – As Audit Manager I hold a senior position in the officer structure, directly reporting to a member of the Senior Management Team. I have direct access to the Chief Executive and Leader of the Council to raise concerns if necessary. In terms of independence, I have no operational duties and therefore no conflicts of interest. The independence aspect also applies to the character and professionalism of the person and consider that on both points I am capable of raising issues that I feel are of concern in an objective and constructive way.

RESOLVED: The Committee noted the contents of the review and the resulting 'Actions Required.'

ARC21: **CORPORATE RISK MONITORING REPORT 2013**

The Deputy Chief Executive advised that the report presented the changes to the Risk Register since the last monitoring report in September 2012 and gave details of the risks falling into the 'Very High' category and the associated work to mitigate the effects.

Members' attention was drawn section 2 of the report – summary of changes to the Risk Register since the last monitoring report.

In response to questions from Councillor Cousins on the Council's long term strategy to purchase additional land, the Chief Executive advised that he had discussed this issue with the Portfolio Holder for Regeneration earlier that day. The acquisition of additional land for a medium term period would be considered by the Economic Regeneration Task Group. The Task Group would consider key strategic sites and/or expansion of land and prepare a report for Cabinet.

In response to further questions from Councillor Cousins on the Council building and renting houses on the NORA development and the risks involved, the Chief Executive explained that this issue was also being considered by the Economic Regeneration Task Group. The Chairman of the Task Group, Councillor de Winton invited Councillor Cousins to attend next meeting to put forward suggestions and offer any input.

In response to questions from the Chairman, Councillor Beal on the Council finding alternative ways of delivering services and the consideration of new innovative projects, the Deputy Chief Executive explained that the Council was exploring the methodology of setting up a company relating to leisure and outlined the complex issues associated with the project.

The Chief Executive explained that the Council was currently looking at a Major Housing Scheme which sought to procure a developer and investment partner to build market housing on Borough Council land. This was a new area of work which local authorities were now considering. The Borough Council was ahead on this initiative and it was therefore important to obtain specialist advice when undertaking such a project.

RESOLVED: The Committee noted the report.

ARC22: **COMMITTEE WORK PROGRAMME**

The Committee considered its Work Programme.

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

ARC23: **DATE OF NEXT MEETING**

Committee Members noted that the next meeting of the Resources and Performance Panel – Audit and Risk Committee would take place on **Tuesday 23 July 2013** in the **Committee Suite, King's Court, Chapel Street, King's Lynn.**

The meeting closed at 7.42 pm