

**BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK**

**AUDIT AND RISK COMMITTEE**

**Minutes from the Meeting of the Audit and Risk Committee held on Tuesday, 23rd February, 2016 at 5.30 pm in the Committee Suite, King's Court, Chapel Street, King's Lynn**

**PRESENT:** H Humphrey (Chairman)  
Councillors P Colvin, G Hipperson (Vice Chairman), G Middleton, A Morrison, D Tyler and G Wareham

**Portfolio Holder:**

Councillor N Daubney, Leader and Portfolio Holder for Resources

**Officers:**

Lorraine Gore, Assistant Director  
Ray Harding, Chief Executive  
Kate Littlewood, Audit Manager  
Toby Cowper, Group Accountant

**In attendance:**

Sappho Powell, Ernst & Young  
Councillors R Blunt, C Bower, Mrs S Young

AR74 **APOLOGIES**

Apologies for absence were received from Councillors B Aota, I Devereux, I Gourlay and P Hodson.

AR75 **MINUTES**

The minutes of the Audit and Risk Committee meeting held on 24 November 2015 were agreed as a correct record and signed by the Chairman.

AR76 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

AR77 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

AR78 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

**AR79 CHAIRMAN'S CORRESPONDENCE (IF ANY)**

There was no Chairman's correspondence.

**AR80 MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS COMMITTEE RECOMMENDATIONS/REQUESTS**

None.

**AR81 RISK ASSESSMENT BRIEFING/TRAINING**

Members received a Powerpoint presentation from the Borough Council's Auditor. A copy of which is attached to the Minutes.

The Chairman, Councillor Humphrey invited those present to ask questions, a summary of which is set out below.

In response to questions from Councillor Chenery regarding Members and risk, the Chairman, Councillor Humphrey commented that all Members should be considered at risk. The role of the Audit and Risk Committee was to be satisfied that any mitigation identified was being addressed correctly. The Auditor added that Councillors were able to challenge and risk.

The Assistant Director advised that the Council held a Corporate Risk Register but highlighted that there was a risk section in all cabinet reports which officers were required to fill in. Cabinet and Members would then have the opportunity to ask questions on the risk identified.

Councillor Blunt asked if the Council looked at the cost of monitoring against the cost of impact. In response, the Auditor explained that there was a value for money question which brought the cost element into the equation. The Auditor added that it was difficult to evaluate the true cost of risk without monitoring being undertaken.

The Chairman, Councillor Humphrey commented that it was the responsibility of service managers to identify risk and ensure monitoring took place, but that also service managers could give advice on how to mitigate any risk identified.

The Auditor informed Members that service managers could suggest how a risk could be mitigated but also have the option to forward any high risk they felt needed a corporate opinion to an Executive Director.

The Chairman, Councillor Humphrey thanked the Auditor for an informative and useful presentation.

**a Presentation Risk Management**

### AR83 **ANNUAL CERTIFICATION OF CLAIMS AND RETURNS**

Sappho Powell from Ernst & Young presented the Certification of Claims and Returns Annual Report 2014/2015.

The Committee's attention was drawn to the following sections of the report,

- Scope of Work – Housing Benefits Subsidy Claim.
- 2014-2015 Certification Fees.
- Looking Forward.

Members were advised that the level of error identified had pushed the Council over the threshold and therefore the Department of Work and Pensions could withhold or clawback some of the subsidy (£120,000)

In summary, S Powell advised that £120,000 error identified out of the total Housing Benefits Subsidy Claim of £40.4m equated to 0.2% and was also common across other councils.

The Committee was invited to ask questions/comment, a summary of which is set out below.

The Chairman, Councillor Humphrey commented that although the error identified was a small percentage of the total claim it was important that lessons were learned to avoid any clawback from the Department of Work and Pensions.

The Assistant Director explained that in the January Budget Monitoring Report there was a section which provided the statistics relating to the local government error.

**RESOLVED:** That the Audit and Risk Committee noted the contents of the Audit Report.

### AR84 **EXTERNAL AUDIT PLAN**

Sappho Powell, Ernst & Young presented the Borough Council's Audit Plan for year ending 31 March 2016. The purpose of the plan was to provide the Audit and Risk Committee with a basis to review the proposed audit approach and scope for the 2015/2016 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments Ltd, auditing standards and other professional requirements. It was highlighted that the Audit Plan was also to ensure that Ernst & Young audit was aligned with the Committee's service expectations.

Members' attention was drawn to the following sections of the report:

- Overview.
- Financial Statement Risks.
- Responsibilities in respect of Fraud and Error.
- Value for Money Risks.
- Audit Process and Strategy.
- Independence.
- Appendix A – Fees.
- Appendix B – UK required communications with those charged with Governance.
- Appendix C – Detailed Scopes.

In response to a question from the Chairman, Councillor Humphrey regarding Section 3 – Value for Money, page 21 last paragraph, S Powell agreed to amend the wording.

In response to further questions from the Chairman, Councillor Humphrey on how Ernst and Young took into account any information from the Council's Internal Audit Team, S Powell advised that Ernst and Young received and read all reports produced by the Internal Audit Team, but did not entirely rely on this work, Ernst & Young undertook a substantive audit.

Following comments from the Chairman, Councillor Humphrey on the timetable set out within the plan, the Assistant Director advised that the information was included in the briefing note set out in the next Agenda item. S Powell explained that from 2017/2018 the report would be issued by 31 July each year.

The Assistant Director explained that currently the Borough Council was required to publish the accounts by end of June and presented to the Audit and Risk Committee in September. However, in 2017/2018 the timetable would mean that the Borough Council would need to close down and publish the accounts at an earlier date, by end of May 2017.

The Chairman, Councillor Humphrey welcomed the reduction in fees as set out on page 28 of the Plan.

**RESOLVED:** The Committee noted the External Audit Plan for year ending 31 March 2016.

AR85

**LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING**

Sappho Powell, Ernst & Young presented the Local Government Audit Committee Briefing which covered the following issues:

- EY Item Club Forecast.
- Local Government Devolution.

- Spending Review 2015.
- Consultation: New Homes Bonus.
- Local Authority Revenue Expenditure and Financing.
- Response to Flooding.
- Council Tax Support.
- Public Sector Exit Payment Recovery Regulations.
- Faster Close Update.
- Value for Money Guidance.
- New Arrangements for the Exercise of Public Rights.
- Consultation: HRA Accounting.
- Report on the Results of the Auditors' Work 2014-2015.

Members' attention was drawn to the closedown of arrangements for the accounts in 2017/2018. S Powell advised that Ernst and Young was working with the Borough Council for earlier closedown of accounts in 2016 in order to assist Ernst and Young going forward in future years.

The Chairman, Councillor Humphrey thanked Ernst and Young for the useful quarterly briefing note.

**RESOLVED:** The Committee noted the quarterly briefing note.

#### AR86 **STRATEGIC INTERNAL AUDIT PLAN**

The Audit Manager presented the report which provided Members with the opportunity to review the proposed Strategic Internal Audit Plan for 2016/2021.

The Strategic Internal Audit Plan was attached to the report as Appendices 1 and 2.

The overall strategy of the Internal Audit was reviewed on an annual basis and was attached as Appendix 3.

Members were reminded that the purpose of the Strategic Audit Plan was intended to:

- Ensure all areas were audited over the life of the plan, taking into account client's audit requirements and the major risks facing the Council.
- Ensure there were adequate resources to undertake the required audits.
- Provide a basis for monitoring actual performance of the Internal Audit function.

The Committee's attention was drawn to the following sections of the report:

- Preparing the Plan.
- Format of the Plan.

- Outcomes.

The Audit Manager explained that within the plan there were 8 core audits which were considered to be fundamental and covered systems that were essential to the business of the Council. In the past those systems had been audited extensively every year with high levels of assurance achieved repeatedly over several years. However, it was highlighted that it was now felt that more effective use could be made of internal audit resources by allocating additional time to cover other areas. Therefore coverage of the core systems would consist of audits in alternate years unless there were any significant changes in the area concerned.

Members were informed that a more proactive approach had been taken with major projects and an allowance had been made within the plan for the Audit Team to provide 'critical friend' support.

The Committee's attention was drawn to section 3.6 of the report and the Audit Manager explained that for some audits, for example, health and safety and CCTV, external specialists reviewed the Councils systems. This arrangement reduced the need for Internal Audit to review the systems and duplicate work.

In response to questions from the Chairman, Councillor Humphrey regarding the working arrangement with the Council's Audit Team and the External Auditors, the Audit Manager explained that all audit undertaken by the Council's Audit Team were available to be viewed by Ernst and Young.

The Chairman, Councillor Humphrey referred to page 49- Operational and Service Delivery – Allotments being identified as a medium risk and no assurance given and asked for an explanation. The Audit Manager explained that when the audit was undertaken in 2015/2016 no assurance had been given, however, since the audit a significant amount of work had been carried out to improve the position and a follow up had been also carried out. It was noted that an audit would be undertaken in 2017

Following further questions from the Chairman, Councillor Humphrey regarding Care and Repair being given limited assurance in 2013/2015, the Audit Manager explained that each audit report requiring improvement was accompanied by an action plan and a follow up audit was undertaken six months later to monitor progress.

In response to questions from the Chairman, Councillor Humphrey relating to the Audit Plan, the Audit Manager explained that the 2017/2018 audit plan would be reviewed and if required any important audits could be brought forward. The audits identified in the plan would be prioritised with the resource available.

Councillor Middleton referred to page 58, the total available resource of 704 days and asked if there were any arrangements in place to deal with periods of sickness or emergency leave. The Audit Manager advised that there was an element of contingency built into the plan and that resources would be adjusted accordingly.

**RESOLVED:** The Committee noted the Strategic Internal Audit Plan for 2016/2021.

AR87 **MEMBERS TRAINING**

The Chairman, Councillor Humphrey informed Members that this item would appear on all Panel agendas.

Members were invited to forward any suggestions for future training to the Chairman, Councillor Humphrey or the Democratic Services Officer.

Councillor Middleton asked if there was an opportunity for Councillors to become involved in the day to day audit process. In response, the Chairman, Councillor Humphrey explained that all audit reports were available for Members to view on Insite.

The Audit Manager invited Councillor Middleton or any Councillor to visit the Audit Section to receive an overview of how their work was undertaken.

AR88 **CABINET REPORT: TREASURY MANAGEMENT STRATEGY 2016/2017**

The Group Accountant presented the report and reminded the Committee that the Council was required to receive and approve a Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy which covered:

- Capital Plans, including prudential indicators.
- A Minimum Revenue Provision (MRP) Policy.
- The Treasury Management Strategy.
- An Investment Strategy.

Members were advised that the report covered the requirements of the Local Government Act 2003, the Chartered Institute of Public Finance Accountants (CIPFA) Prudential Code, the Department of Communities and Local Government (CLG) MRP Guidance, the CIPFA Treasury Management Code and the CLG Investment Guidance.

It was explained that the report looked at the period 2016/2020 which fitted with the Council's Financial Plan and Capital Programme. The report was based upon the Treasury Officers' views on interest rates,

supplemented with leading market forecasts provided by the Council's Treasury Advisor, Capita Asset Services, Treasury Solutions.

In response to questions from the Chairman, Councillor Humphrey regarding the maturity structure for loans of 10 years and above, the Group Accountant explained that the Council currently had two lender option/borrowing option loans which were taken out in 2007, each of £5m for a 70 year period. It was explained that if the Council wished to pay off the loans at an earlier date a penalty fee would be incurred. The Assistant Director added that with these two loans there was a lender option to increase the rate, however, the Borough Council could respond that the increase was not acceptable.

The Group Accountant advised that with regard to the two 70 year loans taken out in 2007 were at a competitive rate and still remained at a competitive rate.

Councillor Hipperson commented that the Council had a high level of investments, why was it necessary to borrow rather than draw down some of its investment. In response, the Group Accountant explained that the Borough Council did lend itself money internally and would in turn use an element of its investments to fund the the Capital Programme in future years. The Chairman, Councillor Humphrey referred Councillor Hipperson to page 67 of the report which set out an explanation to his questions raised.

The Chairman, Councillor Humphrey enquired if the debt rescheduling would be reported to the Audit and Risk Committee in addition to Cabinet. In response, the Group Accountant confirmed that any debt rescheduled would be reported to both the Audit and Risk Committee and Cabinet at the earliest meeting following its action.

**RESOLVED:** The Committee support the recommendations to Cabinet as set out below, with an additional recommendation (5).

Cabinet is asked to recommend to Council:

- 1) The Treasury Management Strategy Statement 2016/2017, including treasury indicators for 2016/2020.
- 2) The Investment Strategy 2016/2017.
- 3) The Minimum Revenue Provision Policy 2016/2017.
- 4) Adopt the revised Treasury Management Practices (TMPs).
- 5) That any debt rescheduling will be reported to both Cabinet and the Audit and Risk Committee at the earliest meeting following its action.



The Audit Manager presented the report and explained that the Council's Risk Management Strategy was last reviewed and approved by Council on 28 January 2010. It was explained that the latest review had split the existing document into two documents, Policy and Strategy, and linked risk management more closely to the achievement of the Council's objectives. The risk appetite was formally recognised within the Policy, and the Strategy provided a means of escalating risks from service and project level to the Corporate Risk Register if necessary.

The Committee's action was drawn to the following sections of the report:

- The Risk Management Policy was attached at Appendix A.
- The Risk Management Strategy was attached at Appendix B.
- Page 94: Section 1: the next review date for both the policy and strategy was March 2019 to ensure that both documents were still fit for purpose.
- Page 95: Section 2: Definitions, Section 3: Benefits of Risk Management which could be linked with the Borough Council's Corporate Strategy.
- Page 96: Section 5: Risk Management Approach.
- Page 87: Risk Appetite
- Page 99: Strategy which provided more detailed information on how risks were identified, etc.
- Pages 102 and 103: Minimising, controlling and responding to risk, monitoring and reporting.

In response to comments from Councillor Morrison regarding the impact table on page 101, the Audit Manager undertook to look at wording and amend where appropriate.

Following comments from the Chairman, Councillor Humphrey on the acceptance of risk and that it had to be recognised that some risks could not be anticipated and the Council having liability insurance. The Audit Manager explained that at an operational level, for example, risk assessments were undertaken in the grounds maintenance service area, however, it had to be accepted that there could be some risks which the Council could not prevent. The Audit Manager provided clarification between inherent and residual risk.

The Chairman, Councillor Humphrey commented that it was a well written report.

**RESOLVED:** The Committee support the recommendation as set out below:

That Cabinet recommend that Council approve the Risk Management Policy and Strategy.

AR90 **COMMITTEE WORK PROGRAMME 2015/2016 AND FORWARD DECISIONS LIST**

The Committee noted the work programme.

The Chairman, Councillor Humphrey informed the Committee at the next meeting, Members would receive an interim report on Hunstanton Sailing Club via a powerpoint presentation from Councillor Hodson.

AR91 **DATE OF NEXT MEETING**

The next meeting of the Audit and Risk Committee will be scheduled once the Calendar of Meetings 2016/2017 had been agreed by Cabinet on 5 April 2016.

**The meeting closed at 7.05 pm**



# AN INTRODUCTION TO CORPORATE RISK MANAGEMENT

# AIMS OF THIS EVENING



- Explain some key concepts in risk management
- Introduce the Risk Management Policy and Strategy
- Provide an overview of the Corporate Risk Management procedures.

# WHY DO WE NEED RISK MANAGEMENT?



- By recognising and acknowledging risk we can be better prepared to deal with it.
- Effective risk management helps the Council to achieve its corporate objectives.
- Enable focussing of resources towards the greatest risks
- Support accountability

# KEY CONCEPTS



- Risk – the possibility of an event occurring that will have an impact on the achievement of the objectives. Risk is measured in terms of impact and likelihood
- Risk Management – the process by which risks are identified, evaluated and controlled.
- Risk appetite – the level of risk that the organisation is willing to accept.

# KEY CONCEPTS



- Impact - If the event happens, what effect will it have?
- Likelihood – how likely is the event to happen?
- “Generic” and “Specific” risks
- Beware of confusing “risks” and “issues”



# RISK MANAGEMENT POLICY & STRATEGY





- Risk Management Policy and Strategy updated February 2016 (Previously combined in one document)
- New Policy states the Council's commitment to managing risk in a positive manner - specifies the aims and objectives
- New Strategy sets out how the Policy will be achieved risk evaluation factors and roles and responsibilities.

# ROLES AND RESPONSIBILITIES MEMBERS



- All Members have a duty to consider risk
- Audit and Risk Committee receive monitoring reports twice a year
- Reports to Cabinet include a risk assessment

# ROLES AND RESPONSIBILITIES MANAGEMENT TEAM



- All staff have a duty to consider risk
- Overall responsibility for ensuring that the Council manages risk effectively
- Chief Executive is the nominated person
- Receive half yearly updates on the Risk Register

# ROLES AND RESPONSIBILITIES SERVICE MANAGERS

Borough Council of  
King's Lynn &  
West Norfolk



- Raise awareness within their own service area
- Identify and monitor risk in operational areas

# ROLES AND RESPONSIBILITIES INTERNAL AUDIT



- Management of the Risk Register
- Internal Audit plans and review work considers significant and material risks that have been identified

# ROLES AND RESPONSIBILITIES AUDIT and RISK COMMITTEE

Borough Council of  
King's Lynn &  
West Norfolk



- Receive Risk Management reports half yearly  
(Also available on In-Site)
- Challenge completeness of coverage and  
reasonableness of assessment



# RISK MANAGEMENT PROCESS

# REVIEW PROCESS



- Half yearly meetings with Executive Directors
- To review and update existing risks and consider any new risks to add
- Update Risk Register
- Significant new matters can be dealt with on an ad-hoc basis



# LIKELIHOOD



Likelihood is identified and scored using the definitions contained in the Strategy.

- 1 – Rare
- 2 – Unlikely
- 3 – Possible
- 4 – Likely
- 5 – Almost Certain

# IMPACT



Impact is identified and scored using the definitions contained in the Strategy.

- 1 – Insignificant
- 2 – Minor
- 3 – Moderate
- 4 – Loss of service for 2 – 7 days (Major)
- 5 – Loss of service for more than 7 days (Extreme)

# RISK CATEGORY



- Risk score is calculated by multiplying the scores for Likelihood and Impact
- Score then defines the Risk Category
- Determines how the risk will be managed

# RISK CATEGORY



<b>Risk Category</b>	<b>How the Risk should be managed</b>
Very High (15-25)	Immediate action required. Senior Management must be involved.
High (10-12)	Senior Management attention needed and management responsibility specified.
Medium (5-9)	Manage by specific monitoring or response procedures.
Low (1-4)	Manage by routine procedures. Unlikely to need specific application of resources.

# RISK MATRIX



5 Almost certain	(5) (Green)	(10) (Orange)	(15) (Red)	(20) (Red)	(25) (Red)
4 Likely	(4)	(8) (Green)	(12) (Orange)	(16)(Red)	(20) (Red)
3 Possible	(3)	(6) (Green)	(9) (Green)	(12) (Orange)	(15) (Red)
2 Unlikely	(2)	(4)	(6) (Green)	(8) (Green)	(10) (Orange)
1 Rare	(1)	(2)	(3)	(4)	(5) (Green)
	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme

# REPORT FORMAT



- To concentrate effort on the areas of main concern:
  - 'Very High' risks reported in detail.
  - 'High' risks are only listed for information
- Summary of changes since the last report
- Complete report available on In-Site

# REPORT FORMAT



849

Draft Corporate Risk Register Oct 2015 v2 planning extract SA rev [Shared] - Microsoft Excel

Ref	Outcome affected	Title	Director	The risk is that:	Impact	Likelihood	Score	Mitigation	Progress
1.		Corporate							
2.10	Quality Environment	5-year land supply	Environment & Planning	The Planning Inspectorate does not agree that the Council has identified an adequate supply of land designated as housing development land for the next 5 years, and consequently this will lead to development approved in areas that the Council does not want developed.	Major	Certain	20	Work on the LDF to ensure the Council can evidence that sufficient land is available. Also approve applications to boost the supply in the short-medium term.	The High Court challenge was not successful. Therefore will continue assessing applications on the basis of a lack of 5 year land supply until it can be shown that the Council has such a supply.  Concerns have been expressed through the District Council Network to the Planning Inspectorate, and a raised with local MP's.
2.12	Quality Environment	Major Planning Applications	Environment & Planning	Applicants will have a choice of either the Council or the Inspectorate to determine their applications on Major development, if the relevant threshold is breached, namely 20% appeals on Major applications lost compared to the overall number of applications received. Where the Inspectorate deal with the application, the planning fee will go to them.	Major	Possibility	20		This is being monitored, and comments on the appeal lost will be fed back to Members in the Planning Committee training.



# Any questions?

