

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

**Minutes from the Meeting of the Audit Committee held on
Monday, 28th November, 2016 at 5.00 pm in the Committee Suite,
King's Court, Chapel Street, King's Lynn**

PRESENT: D Pope (Chairman)
Councillors Mrs J Collingham, Mrs S Fraser (sub), P Gidney, M Hopkins,
C Manning and T Smith

Officers:

Lorraine Gore - Assistant Director
Toby Cowper - Group Accountant
Vanessa Dunmall - Performance and Efficiency Manager

By Invitation:

Sappho Powell - Ernst & Young

A55

APOLOGIES

Apologies for absence received from Councillors J Collop, T Tilbrook, B Long and N Daubney.

A56

MINUTES

The Minutes of the Audit and Risk Committee held on 17 October 2016 were agreed as a correct record and signed by the Chairman.

A57

DECLARATIONS OF INTEREST

Councillor Smith declared an interest in A66 - Audit and Fraud Half Year Progress Report and left the meeting during consideration of the item.

A58

URGENT BUSINESS UNDER STANDING ORDER 7

The Chairman reminded the Committee that a late report – Review of Financial Regulations had been sent out and would be considered later in the meeting.

A59

MEMBERS PRESENT PURSUANT TO STANDING ORDER 34

There were no Members present under Standing Order 34.

A60

CHAIRMAN'S CORRESPONDENCE (IF ANY)

There was none.

A61 **MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS COMMITTEE RECOMMENDATIONS/REQUESTS**

A62 **TRAINING/BRIEFING ON THE ANNUAL GOVERNANCE STATEMENT**

The Committee received a presentation from the Performance and Efficiency Manager on the Annual Governance Statement (a copy of the presentation is attached to the minutes).

In response to a question, the Performance and Efficiency Manager explained that she had not received any feedback from the public on the Annual Governance Statement.

The Panel agreed that they would like to see a draft of the Annual Governance Statement before the final version was produced.

The Chairman, Councillor Pope thanked the Performance and Efficiency Manager for the presentation.

A63 **UPDATE ON THE ANNUAL GOVERNANCE STATEMENT**

The Committee was reminded that at its meeting in September 2016, the Audit Committee approved the Council's Annual Governance Statement covering and reflecting back on the 2015/16 year. At that meeting, it was suggested that the Committee might want to receive an update halfway through the year on the progress being made with the Action Plan for the 2016/17 year. The report provided that update.

The Committee noted the progress with the Action Plan, which consisted of 11 actions. One entry had been completed, the remaining 10 were on track to be completed by the target date of March 2017.

The Assistant Director/Performance Efficiency Manager responded to questions relating to:

- Item 7 - whether the West Norfolk Strategy Group would continue to operate when the County Council discontinued the Second Homes payments to the Borough Council.
- Item 3 - whether the cash receipting system had gone live yet? *It was subsequently confirmed that the new release V10 went live on 18th November. Implementation went smoothly and there was no additional downtime than the 1 day scheduled in.*

- Item 2 - a number of ICT Servers are due to be taken out of circulation. *It was subsequently confirmed that the reason for decommissioning these servers is that the operating systems (Windows 2003 Server) are outdated and not compliant with Public Services Network Guidelines. These are live machines with business applications running on them that are accessed by Council staff.*

The steps taken for each server prior to decommissioning and removal are:

- *Check business application software currently residing on server (e.g. HR system) and compatibility with later operating systems.*
- *Install and configure new server with test version of software and latest operating system.*
- *Once testing has successfully completed backup original server and migrate all live data to new.*
- *Close down / decommission old server and take out of circulation.*
- *Dispose of Servers as per asset disposal guidelines.*

RESOLVED: That the Committee noted the progress made and endorsed the approach being taken to achieve the actions on the Council's 2016/17 AGS Action Plan.

A64

ANNUAL AUDIT LETTER FOR YEAR ENDED 31 MARCH 2016

Sappho Powell, Ernst and Young presented the Annual Audit Letter for the year ended 31 March 2016.

It was explained that the purpose of the Annual Audit Letter was to communicate the key issues arising from the External Auditor's work to the Members and external stakeholders, including members of the public.

It was further explained that matters reported in the Annual Audit Letter were those Ernst and Young considered most significant for the Borough Council of King's Lynn and West Norfolk.

It was explained that there were no matters to report.

The Auditor responded to questions relating to:

- Property Plant and Equipment and why this was a significant risk.
- Audit Fees – it was explained that the work was completed last week and the certificate would be claimed. It was anticipated that the Council would receive a rebate. There had been a

reduction in the number of errors and work that Ernst & Young had to do.

The Committee considered that the letter was clear and well displayed. The Committee asked for staff to be complimented on their work which had resulted in a reduction in the number of errors and the positive letter from the Auditors.

RESOLVED: That, the Annual Audit Letter for the year ended 31 March 2016 be noted.

A65

MID YEAR TREASURY REPORT

The Committee was reminded that the Council had formally adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (2011) and remained fully compliant with its requirements.

One of the primary requirements of the Code was:

Receipt by Council of an annual strategy report (including the annual investment strategy report) for the year ahead, a mid-year review report and an annual review report of the previous year.

The Mid-Year review report had been prepared in compliance with CIPFA's Code of Practice, and covered the following:

- A review of the Treasury Management Strategy;
- The Council's capital expenditure (prudential indicators);
- An economic update for the first six months of 2016/2017 – Appendix 5;

It was agreed that the Committee still wished to receive Appendix 5.

The Group Accountant/Assistant Director responded to questions relating to:

- Borrowing – it was explained that during the period where the Council did not collect Council Tax (February and March) there was less cashflow, therefore the Council would take out short term borrowing to cover that period.
- Could the Council Tax payments be spread out over 12 months rather than 10. It was explained that there was an option for Council Tax to be paid over 12 months but over a 10 month period this enabled all of the Council Tax to be collected 2 months before the year end. It was further explained that when collecting Council Tax the Borough Council was holding balances for Norfolk County Council and the Police Authority, therefore the Council's day to day balances were much higher.

- It was explained that the Council was currently preparing a Capital and Investment Strategy, which would be presented to Cabinet in January 2017. The Internal Property Strategy was also being updated.
- Could the mechanism of reporting balances be regularised. It was explained that it was prescribed that Council's statements were prepared in that way and was standard practice across all local authorities.
- Page 44 – there was no end date for the NWES investment.
- Page 44 – there was no end date for Gaywood Community Centre.

RESOLVED: That, the Committee reviewed the report and the treasury activity.

A66

AUDIT AND FRAUD HALF YEAR PROGRESS REPORT

Councillor T Smith left the meeting during consideration of the item.

The Chairman introduced Kathy Woodward who would be replacing the Audit Manager when she retired in March 2017.

The Committee received a report which showed the Internal Audit activity against the Strategic Audit Plan 2016/17 and fraud work for April to October 2016.

The following audits had been carried out:

- ICT Disaster Recovery
- Housing Benefits
- Business Continuity
- Creditors and Payments
- Asset Register and Inventories
- Council Tax and Business rates
- Food Hygiene, Health and Safety and Public Hygiene
- Careline
- Communications – Social Media
- Safeguarding Children
- General Ledger
- Planning Enforcement
- Attendance Management
- Recruitment follow-up
- Performance and Appraisal follow-up
- Data Protection, Freedom of Information and Environmental Information regulations follow-up
- Civics follow-up

The Committee noted the work on-going and other work carried out by Internal Audit.

The Committee made the following comments:

- Reference was made to the £114,671.30 fraud/error/additional revenue which had been identified.
- Attendance Management – high levels of TOIL being accrued by staff and not reduced. It was explained that this was something that Management Team were looking into.
- Up-coming Audits – what were the key headlines that would be looked at.

RESOLVED: That the Committee notes the work completed and was satisfied with the progress against the agreed plan.

A67

RISK REGISTER UPDATE

The Panel was informed that the Risk Management Policy and Risk Management Strategy were presented to the Audit Committee in February 2016 and approved by Cabinet on 1st March 2016.

The Terms of Reference for the Audit Committee included responsibility for monitoring the management of risk by Management Team. To this end, the Committee received reports on a half yearly basis on the position of the Corporate Risk Register, with the last one being presented in April 2016.

This report presented the changes to the Risk Register since the last monitoring report in April 2016 and gave details of the risks falling into the 'Very High' category and the associated work to mitigate the effects.

The Committee made the following comments:

- 2.4 – 5-year land supply. The Committee expressed concern in relation to this issue and the wider implications if there was a change in demand and the Plan could not be delivered, specific reference was made to the site at West Winch. Discussion took place regarding which Panel/Committee would be best place to consider this.
- 1.16 - Business Rates. The Committee requested that a report be prepared for the next meeting on the impact of business rates, including the number of and value of appeals and how business rates worked as the Committee wished to understand the potential effect on Council finances.
- 1.17 - Channel Shift. It was explained that the savings were partly dependant on One-Vu integration with the back office systems. Focus had been on getting the front face available but to make sure that the savings were achieved, integration with back office systems needed to be developed.

RESOLVED: (1) That, the Panel noted the contents of the risk register and confirmed agreement with Management Team's assessment of the risks to the Corporate Objectives.

(2) That a report be presented to the next meeting of the Committee on Business Rates.

A68

REVIEW OF FINANCIAL REGULATIONS

The Audit Manager explained that Section 3 of the Accounts and Audit Regulations 2015 stated that 'A relevant authority must ensure that it has a sound system of internal control which ensures that the financial and operational management of the authority is effective'.

Financial Regulations were intended to ensure the Council meets its statutory obligations regarding financial management, especially in respect of the financial aspects of corporate governance. It was essential that the regulations properly reflect the structure of the Council in terms of roles and responsibilities and they provide proper direction for Members and Officers in the conduct of the Council's business.

The Financial Regulations were last reviewed in 2011/12 and were overdue for review. In that time there had been a number of changes in the structure of the Council and new issues had arisen that needed to be included in the regulations.

The main changes to the regulations were:

- 8 – Employment Status Indicator (ESI)
- 9 – Construction Industry Scheme (CIS)
- Appendix 2 – Inventory Procedures
- Appendix 3 – ESI Procedures
- Appendix 4 – Cash Limit Rules

Other sections had been expanded to reflect increasing or changes in use:

- 2 – Reference to External Audit had been included to reflect the new appointment arrangements;
- 14 – Use of Credit Cards. Use of corporate credit cards was increasing, especially in relation to internet orders.
- 15 – Grants To and From external organisations. This section did not previously refer to 'Grants From'. This was an increasing source of funds for the Council and needs to be properly regulated.
- 18 – Travelling and Subsistence. This included the use of Expenses on Demand and the new procedures for submitted VAT receipts that had recently been approved by Management Team.

- 19 – Insurance. It had become increasingly important to ensure that any changes that might affect the level of insurance cover be identified and communicated to the Insurance Officer. This also applied to changes in service provision.

The scope of the Financial Regulations had been extended to include the Council's wholly owned companies, where the regulations were adopted by the Company Board.

No sections had been removed although the section on Treasury Management had been largely replaced by a reference to the Treasury Management Strategy to avoid the necessity for more frequent updates of Financial Regulations.

In response to a question it was explained that the Council had approximately 12 credit cards but different officer's had different limits on the cards.

RESOLVED: That, the Committee recommends to Cabinet the adoption of the revised Financial Regulations.

A69 **COMMITTEE WORK PROGRAMME 2016/2017**

The Committee noted the Work Programme for 2016/2017.

It was agreed that Training on Treasury Management Strategy would replace the scheduled Training on How an Audit is undertaken at the next meeting scheduled for 13 February 2017.

A70 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will take place on Monday, 13 February 2017 at 5.00 pm in the Committee Suite, King's Court, Chapel Street, King's Lynn.

The meeting closed at 6.35 pm



Annual Governance Statement

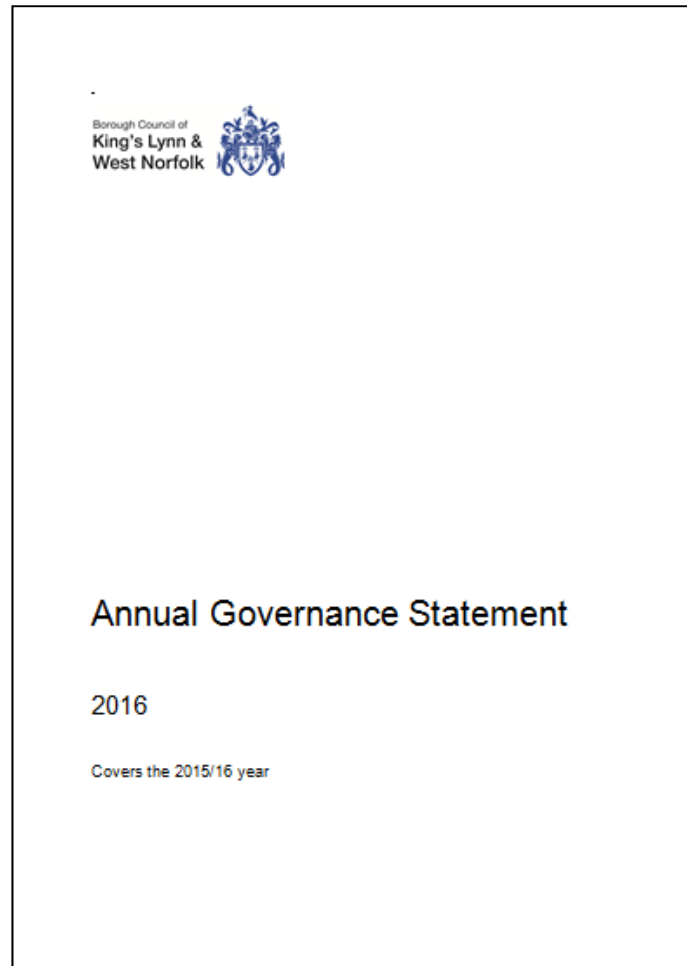
Vanessa Dunmall
Performance & Efficiency Manager

November 2016



The Annual Governance Statement (AGS)

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- The Annual Governance Statement is a formal document, produced annually.
- The Audit Committee are the designated body for agreeing that it reflects our current position.
- It has to accompany the Statement of Accounts.
- It is signed by the Leader and Chief Executive
- Signatories must be satisfied that it's supported by reliable evidence



Why are we having this briefing?

- The Audit Committee is the body who approves the Annual Governance Statement.
- Timing – the AGS will be coming to the Committee in July 2017 for approval.
- These slides have been produced to assist the Committee in understanding what the Annual Governance Statement is and its relevance.
- Key question:
 - Does the Committee wish to have input ahead of the approval stage?
 - If so, how?



Overview of session

- What is Governance?
- What is the Annual Governance Statement?
- Why / Who / How / When
- Role of the Audit Committee
- Relevance to all elected members



Firstly - what is Governance?

“The direction and control of an organisation for the benefit of it’s stakeholders.”

Chartered Institute of Internal Auditors



Governance

Governance is not just 'paperwork' or 'decision making'.
It is how people make sure things are properly conducted.

For example:

- Stoplights
- Painted lines
- Speed bumps
- Radar guns

are examples of traffic governance!



Governance in Local Authorities



- CIPFA / SOLACE issued a framework in 2012: 'Delivering Good Governance in Local Government'
- Gives an overall definition of governance in Local Authorities
(see next slide)



Definition of Governance

- *[It's] “about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.*
- *It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.”*

CIPFA / SOLACE (2012)



Governance

- Governance is not a committee.
- It's not full Council.
- Carrying out governance takes multiple kinds and types of means: Vision, Standards, Training, Role descriptions, Processes, Procedures, Guidelines and lots more.

Governance is designed by finding and matching up the right blend of these mechanisms

And it covers everyone who works for the Council



Local Code of Corporate Governance

- We have a local ‘Code of Corporate Governance’ in place
- It is published on our website

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Borough Council of
King's Lynn & West Norfolk

Search west-norfolk.gov.uk



Home > Council and democracy > Budgets and spending > **Corporate governance**

Corporate governance

How we make sure our business is conducted properly

Code of Corporate Governance

We are responsible for ensuring that our business is conducted properly and to the required standards, and that public money is safeguarded and properly accounted for. To make sure this happens, we have a local Code of Corporate Governance. This document is available to download at the bottom of the page.

Related pages

- [Audit](#)
- [Corporate business plan](#)



Annual Governance Statement (AGS) – what is it and why do we have one

- The AGS is a formal statement that publicly reports on the extent to which the Council complies with its Code of Corporate Governance

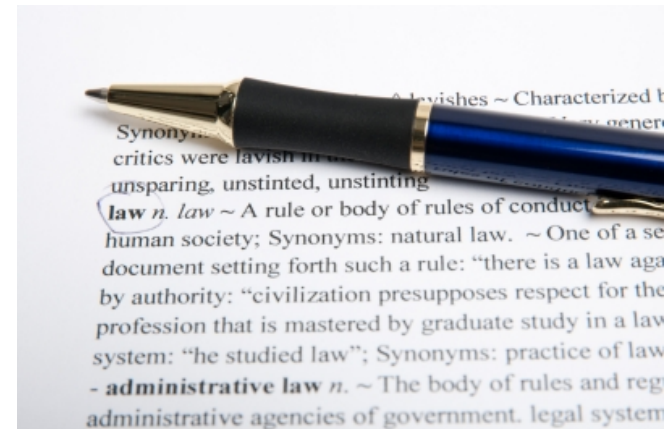


image courtesy of Jeroen van Oostrom / free digitalphotos.net

- We are obliged to produce one each year
 - Accounts and Audit Regulations 2015, regulation 6(1)



The Annual Governance Statement (AGS)

- Looks back over the previous financial year
- Includes a self-assessment of the effectiveness of the governance arrangements, across all areas of activity
- Contains an account of the actions being taken or required to address any areas of concern
- Follows a template laid down by CIPFA / SOLACE framework
- Must accompany and be published with the Statement of Accounts each year



AGS – How is it produced?

- The Action Plan from the previous year is reviewed and progress chased – see next item on today's agenda
- Current practices are assessed
- Changes made to arrangements are identified
- Self assessment is carried out against the Code of Corporate Governance
- Input is obtained from all Executive Directors and Service Managers, particularly from the Monitoring Officer, Audit Manager and S151 Officer



AGS – How is it produced?

- Things used to help in the self-assessment include
 - Reports to Policy Review and Development Panels
 - Reports to Cabinet and Council
 - Corporate Business Plan Monitoring report
 - Audit reports (Internal & External)
 - New policies / procedures agreed
 - Members' Bulletin
 - Management Team updates
 - All sources of evidence listed on the appendix to the AGS and more ...



AGS – When is it produced?

- Monitoring work – throughout the year
- Action Plan – reviewed and monitored halfway through the year
- Main assessment – around year end Feb to May
- Reviews – during June
- Will come to Audit Committee for approval in July, alongside the Statement of Accounts



AGS – Who reviews it

- Internal Audit (Audit Manager)
- External Audit (Ernst & Young)
- Audit Committee
- Cabinet and Council

- The public! Published on the Council's website



AGS – Role of the Audit Committee

When reviewing the AGS, things the Committee may wish to consider are:

- Does the AGS cover all areas of our operations?
- Is it meaningful? Is it easy to read? Is it underpinned by robust evidence?
- Does it accurately reflect our set up (our control structure)? Does it give a sense of our set up's risks, vulnerabilities and resilience to challenges?
- Has compliance with the Code of Corporate Governance been assessed and have any departures from it been disclosed and explained?



AGS – Relevance to all elected members

If governance is the sum of the checks and balances that ensure the organisation delivers against its priorities...

...then the AGS is the one overarching document which reports to members whether key systems across the authority are operating soundly and that there are no fundamental weaknesses.



Recap / Questions

- These slides have been put together to help the Audit Committee to understand the purpose and background of the Annual Governance Statement.
- Based on this:
 - Does the Committee wish to have any further information on the AGS?
 - Does the Committee wish to have any input in 2017 ahead of the approval stage? If so, what elements would the Committee like to be involved with?



Thank you for listening

