

Borough Council of  
**King's Lynn &  
West Norfolk**



# **Audit Committee**

## **Agenda**

**Monday, 28th November, 2016  
at 5.00 pm**

in the

**Committee Suite  
King's Court  
Chapel Street  
King's Lynn  
PE30 1EX**



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**King's Court, Chapel Street, King's Lynn, Norfolk, PE30 1EX**  
**Telephone: 01553 616200**  
**Fax: 01553 691663**

10 November 2016

Dear Member

**Audit Committee**

You are invited to attend a meeting of the above-mentioned Panel which will be held on **Monday, 28th November, 2016 at 5.00 pm** in the **Committee Suite, King's Court, Chapel Street, King's Lynn** to discuss the business shown below.

Yours sincerely

Chief Executive

**AGENDA**

**1. Apologies**

**2. Minutes (Pages 6 - 9)**

To approve the minutes from the Audit and Risk Committee held on 17 October 2016.

**3. Declarations of Interest**

Please indicate if there are any interests which should be declared. A declaration of an interest should indicate the nature of the interest (if not already declared on the Register of Interests) and the agenda item to which it relates. If a disclosable pecuniary interest is declared, the Member should withdraw from the room whilst the matter is discussed.

These declarations apply to all Members present, whether the Member is part of the meeting, attending to speak as a local Member on any item or simply observing the meeting from the public seating area.

**4. Urgent Business Under Standing Order 7**

To consider any business which, by reason of special circumstances, the

Chairman proposed to accept as urgent under Section 100(b)(4)(b) of the Local Government Act 1972.

**5. Members Present Pursuant to Standing Order 34**

Members wishing to speak pursuant to Standing Order 34 should inform the Chairman of their intention to do so and on what items they wish to be heard before the meeting commences. Any Member attending the meeting under Standing Order 34 will only be permitted to speak on those items which have been previously notified to the Chairman

**6. Chairman's Correspondence (if any)**

**7. Matters referred to the Committee from other Council Bodies and Responses made to previous Committee Recommendations/Requests**

To receive comments and recommendations from other Council bodies, and any responses subsequent to recommendations, which the Committee had previously made. (NB some of the relevant Council bodies may meet after dispatch of the agenda).

**8. Training/Briefing on the Annual Governance Statement**

**9. Update on the Annual Governance Statement (Pages 10 - 15)**

**10. Annual Audit Letter for year ended 31 March 2016 (Pages 16 - 39)**

**11. Mid Year Treasury Report (Pages 40 - 54)**

**12. Audit and Fraud Half Year Progress Report (Pages 55 - 67)**

**13. Risk Register Update (Pages 68 - 75)**

**14. Committee Work Programme 2016/2017 (Pages 76 - 77)**

To note the Committee's Work Programme for 2016/2017.

**15. Date of Next Meeting**

To note that the date of 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.

To:

**Audit Committee:** Mrs J Collingham, J Collop, P Gidney, M Hopkins (Vice-Chairman), P Kunes, C Manning, D Pope (Chairman), T Smith and Councillor Tim Tilbrook

**Portfolio Holders:**

Councillor B Long, Leader and Portfolio Holder for Environment  
Councillor N Daubney, Portfolio Holder for Performance

**Management Team Representatives:**

Lorraine Gore, Assistant Director

**Appropriate Officers:** The following officers are invited to attend in respect of the Agenda item shown against their name

Items 8 & 9:	Vanessa Dunmall, Performance and Efficiency Manager
Item 10:	Lorraine Gore, Assistant Director M Hodgson and S Powell from Ernst and Young
Item 11:	Toby Cowper, Group Accountant
Items 12 & 13:	Kate Littlewood, Audit Manager

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

**AUDIT COMMITTEE**

**Minutes from the Meeting of the Audit Committee held on Monday, 17th October, 2016 at 5.00 pm in the Committee Suite, King's Court, Chapel Street, King's Lynn**

**PRESENT:** Councillor D Pope (Chairman)  
Councillors Mrs J Collingham, J Collop, P Gidney, M Hopkins and P Kunes and T Tilbrook

**Portfolio Holder**

Councillor B Long – Leader and Portfolio Holder for Environment

**Officers:**

Gordon Adam – Auditor

Toby Cowper – Group Accountant

Kate Littlewood – Audit Manager

Dave Robson – Environmental Services Manager

**By Invitation:**

Alex Younger - Investment & Actuarial Services Manager, Norfolk Pension Service

A44 **APOLOGIES**

Apologies for absence were received from Councillors C Manning and T Smith.

A45 **MINUTES**

The minutes of the Audit Committee held on 5 September 2016 were agreed as a correct record and signed by the Chairman, subject to the following amendment:

A29 **APPOINTMENT OF VICE-CHAIRMAN**

**RESOLVED:** Councillor T Tilbrook be appointed Vice-Chairman for the meeting.

A46 **DECLARATIONS OF INTEREST**

None.

A47 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was none.

A48 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

A49 **CHAIRMAN'S CORRESPONDENCE (IF ANY)**

There was none.

A50 **ROLE OF THE AUDIT COMMITTEE**

The Committee received a presentation on The Role of the Audit Committee from the Auditor (a copy of which is attached).

The Auditor/Audit Manager responded to questions in relation to:

- The Audit Committee meeting in private.
- Understanding how an audit was undertaken and the process involved - who decides which audits were undertaken. It was noted that a training session was scheduled for 13 February 2017.
- Corporate Tender process/rules for contracts.
- Capital Projects.
- Revenue/income.
- Annual Service Audits undertaken by the in house Audit Team.

In response to comments from Councillor Collop on the role of the Audit Committee and understanding how the audit function operated within the Council, the Chairman reminded Members that training sessions had been included as the first agenda item on all Audit Committee Agendas to ensure that the Committee was well informed.

The Chairman, Councillor Pope thanked the Auditor for an interesting and informative presentation.

A51 **PRESENTATION FROM NORFOLK PENSION FUND**

The Committee received a presentation from Alex Younger, Investment and Actuarial Services Manager from the Norfolk Pension Service (a copy of which is attached).

Alex Younger responded to questions from the Committee in relation to:

- The Borough Council's pension position compared to other authorities.

- Triennial Valuation: 3 year upfront payments produced a saving to the Borough Council. The £4.5m upfront payment to be made in April 2017 had been included in the current Financial Plan.
- The risk involved with lump sum payments.
- Potential for monthly payments to remove some of the risk.
- The Borough Council's Investment Policy.
- The Borough Council's Treasury Management Policy.
- The details of the pension note included within the Borough Council's accounts.
- The role of the actuary.
- Liabilities when an employee retired.
- Payments made to dependant/partner/children upon death of employee.
- Liabilities as the Council reduced the number of employees.
- Automatic enrolment to Borough Council's Pension Scheme.
- Pension Fund Deficit – over 20 year funding period. The upfront 3 year payment equated to 3/20ths.
- Investment in Gilts (approximately 10% of the Pension Fund).
- Investment in public equities.

The Chairman, Councillor Pope thanked Alex Younger for the informative and interesting presentation.

A52

### **BUSINESS CONTINUITY ANNUAL UPDATE**

In presenting the report, the Environmental Services Manager reminded Members that at its meeting in July 2015 the Audit Committee confirmed that it wished to receive an update each year on the Council's Business Continuity arrangements.

The report outlined the current position of the Council's Business Continuity arrangements, summarised progress made since the last update and described work that was planned to be undertaken over the coming months.

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

- Business Continuity Management in the authority based around a framework of documents set out in 1.2 of the report.
- Threat Cards.
- Activities undertaken by the Business Continuity Officer Group since July 2015 set out in section 3.1 of the report.
- Forward Plan.

The Environmental Health Manager responded to questions from the Committee in relation to:

- CCTV Cameras – being transferred from analogue to digital. The Leader, Councillor Long advised that the process had



commenced which would produce a cost saving. The CCTV mobile control van could receive feeds from other cameras.

- Drill practices/annual exercises. It was noted that an annual desktop exercise was undertaken which had been identified by BC COG. In previous years, exercises had included threat cards, bronze plans and an e-learning package for all staff.
- King's Court Accommodation – were other organisations occupying office space included in the Borough Council's plans? It was explained that other organisations such as the Clinical Commissioning Group had their own Business Continuity Plans, but were invited to attend the annual exercise. The Audit Committee was informed that Freebridge Housing, Alive Management and Leisure were also invited to participate in business continuity exercises.

The Chairman, Councillor Pope thanked the Environmental Services Manager for the annual update and invited the Committee to consider whether it wished to receive future annual update reports.

**RESOLVED:** 1) The Committee reviewed the progress made and endorsed the approach being taken to the Council's Business Continuity arrangements.

2) The Committee confirmed it wished to receive an annual update report.

A53 **COMMITTEE WORK PROGRAMME 2016/2017**

The Committee noted the Work Programme for 2016/2017.

A54 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will take place on Monday 28 November 2016.

**The meeting closed at 6.42 pm**

**POLICY REVIEW AND DEVELOPMENT PANEL REPORT**

REPORT TO:	Audit Committee		
DATE:	28 November 2016		
TITLE:	Update on progress with the Annual Governance Statement covering the 2016/17 year		
TYPE OF REPORT:	Monitoring		
PORTFOLIO(S):	Leader		
REPORT AUTHOR:	Vanessa Dunmall		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

**REPORT SUMMARY/COVER PAGE**

<b>PURPOSE OF REPORT/SUMMARY:</b>
<p>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 may wish to receive an update halfway through the year on the progress being made with the Action Plan for the 2016/17 year. This report provides that update.</p> <p>The report summarises progress made since April 2016 and also describes work that is planned to be undertaken over the coming months to achieve the identified actions.</p>
<b>KEY ISSUES:</b>
<p>The Council is required to produce an Annual Governance Statement (AGS) each year<sup>1</sup> and the Audit Committee is the body now designated to approve the statement, alongside the Statement of Accounts.</p> <p>The progress made</p>
<b>OPTIONS CONSIDERED:</b>
Not applicable.
<b>RECOMMENDATIONS:</b>
The Committee is recommended to review the progress made and endorse the approach being taken to achieve the actions on the Council's 2016/17 AGS Action Plan.
<b>REASONS FOR RECOMMENDATIONS:</b>
To ensure that Members are kept informed about progress with the Council's Annual Governance arrangements.

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<sup>1</sup> Under the Accounts and Audit Regulations 2015, regulation 6(1)

## **REPORT DETAIL**

### **1.0 Background**

- 1.1 The preparation and publication of an Annual Governance Statement (AGS) is a statutory requirement. The AGS is a public statement that describes and evaluates the Council's overall governance arrangements during a particular financial year. It includes a self-assessment of the effectiveness of the governance arrangements, across all areas of activity, together with a statement of the actions being taken or required to address any areas of concern.
- 1.2 Each year, during the process of putting together the AGS, an Action Plan is devised to make sure that any gaps or weaknesses identified in the authority's governance arrangements are plugged or strengthened. The AGS covering the 2015/16 year was approved by the Audit Committee on 5th September 2016 and included an Action Plan to be completed during the current 2016/17 year.

### **2.0 Progress on the action plan**

- 2.1 The Action Plan being progressed this year is shown at Appendix A. It consists of 11 actions. Of those, 1 entry has been completed, the remaining 10 are on track to be completed by the target date of March 2017.

### **3.0 Corporate Priorities**

Not applicable, statutory requirement

### **4.0 Policy Implications**

None

### **5.0 Financial Implications**

None

### **6.0 Personnel Implications**

None

### **7.0 Statutory Considerations**

- 7.1 The monitoring of the Annual Governance Statement Action Plan is needed to ensure compliance within the set deadlines.

### **8.0 Equality Opportunity Considerations**

None

### **9.0 Risk Management Implications**

- 9.1 The Annual Governance Statement itself forms part of the Council's risk management process and provides reasonable assurance (as defined in section 8 of the AGS itself) that the Council is complying with the adopted Code of Corporate Governance.
- 9.2 Progressing the actions identified within the Statement show the Council's willingness to strengthen any weaker areas that were identified.

## **10.0 Recommendations**

10.1 The Committee is recommended to

Review the progress made and endorse the approach being taken to the Council's 2016/17 AGS Action Plan.

## **11.0 Declarations of Interest / Dispensations Granted**

None

## **Background Papers**

CIPFA/SOLACE Framework including Guidance Notes and Addendum

Audit Committee agenda 5 September 2016

## ANNUAL GOVERNANCE STATEMENT – ACTION PLAN FOR THE 2016/17 YEAR

	Issue	Action	Responsible Officer	Target Date	Status & progress as at October 2016	
1	<i>Carried forward:</i> Financial Procedures	Review and update the Council's Financial Regulations to reflect changes in legislation and current best practice	Assistant Director, Finance	March 2017	On track	The Financial Regulations have been reviewed by the Audit Manager. A first draft has been reviewed, Audit Manager to update and report to Audit Committee in November 2016 and Cabinet in January 2017.
2	<i>Carried forward:</i> Public Services Network (PSN) compliance	Ensure PSN compliance during 2015/16 including progressing any actions identified as a result of the 2015 audit	Executive Director, Central and Community Services	March 2017	On track	ICT are working towards PSN compliancy which is due during December / January. As a consequence of a recent ICT Health check a number of ICT Servers are due to be taken out of circulation in line with PSN guidelines, there is a programme of decommission in place.
3	<i>Carried forward:</i> Payment Card Industry (PCI) compliance	i) Respond to issues identified during the 2015 PCI audit ii) Investigate and implement an upgrade to the current cash receipting system to ensure ongoing compliance	Executive Director, Central and Community Services	March 2017 March 2017	On track	i) The Council successfully obtained PCI DSS compliancy on 22nd September 2016. ii) An upgrade to the cash receipting / e-payments system is in test currently and is due to go live in November 2016.
4	ICT Development Group	Adopt a Terms of Reference to make the group's remit clear	Executive Director, Central and Community Services	March 2017	On track	Terms of Reference have been agreed in principle by the ICT Development Group and are subject to Management Team approval during Oct/Nov 2016.
5	Performance Management Framework	Review and refresh the Council's Performance Management Framework.	Executive Director, Central and Community Services	March 2017	On track	The refresh has been started, on track to be completed by March 2017.

	Issue	Action	Responsible Officer	Target Date	Status & progress as at October 2016	
6	Data Quality Strategy	Review and refresh the Council's Data Quality Strategy	Executive Director, Central and Community Services	March 2017	On track	Due to be a light touch review – on track to be completed by March 2017.
7	West Norfolk Strategy Group	Review the format and focus of the WN Strategy Group to ensure it continues to deliver benefits for the area	Executive Director, Central and Community Services	Completed	Completed	New arrangements have been put in place which reflect the reduced budget for partnership projects when the County Council discontinue Second Homes payments to the Borough Council.
8	Anti-fraud and Anti-corruption Strategy	Review and refresh the Council's Anti-fraud and Anti-corruption Strategy	Assistant Director, Finance	March 2017	On track	The Audit Manager will take the reviewed strategy to Audit Committee, Cabinet and full Council in February 2017.
9	Efficiency Plan	Devise process for robust monitoring of achievement against the Efficiency Plan	Assistant Director, Finance	March 2017	On track	<p>The Council has to publish an 'efficiency plan' as required by the Government if we are to take up the offer of a four year funding settlement. The 'efficiency plan' went to Cabinet on 7 September and Council on 29 September, and needs to be with DCLG and published on our website by 14 October 2016. The cost reduction programme revenue savings are being monitored and reported through the monthly budget monitoring report. Procedure notes have been issued to Extended Management Team.</p> <p>The corporate capital projects monitoring is yet to be finalised, currently awaiting outcome of Property, Regeneration and Corporate Projects service review.</p> <p>The Capital and Property Investment Strategy will go to Cabinet on 6 December with a presentation to joint R&amp;D and CPP on 19 October.</p>
10	Internal Audit	Change to Internal Audit arrangements	Assistant Director, Finance	March 2017	On track	Agreed by Audit Committee and Cabinet, interviews will be held on 10 October 2016 for shared Audit Manager. Following successful appointment to the role, section 113 agreement to be finalised with Fenland DC.

	Issue	Action	Responsible Officer	Target Date	Status & progress as at October 2016	
11	Risk Management	Revised arrangements for the provision of risk management	Assistant Director, Finance	March 2017	On track	Audit Manager is reviewing risk register with Exec Directors. The Performance and Efficiency Manager is involved in this process in preparation for taking over the role from April 2017.

# Borough Council of King's Lynn and West Norfolk

Annual Audit Letter for the year ended 31 March 2016

October 2016

Ernst & Young LLP

Agenda Item 10

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

A hand holding a pen writing on a document in an office setting. The background is blurred, showing a desk with a calculator, a laptop, and a white mug. A yellow rectangular box is overlaid on the left side of the image, containing the text "Executive Summary".

## Executive Summary

## Executive Summary

We are required to issue an annual audit letter to Borough Council of King's Lynn and West Norfolk (the Council) following completion of our audit procedures for the year ended 31 March 2016.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 19 August 2016.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 5 September 2016.

In early 2017 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Mark Hodgson

Executive Director  
For and on behalf of Ernst & Young LLP

Purpose



## Purpose

### The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to the 5 September 2016 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.



# Responsibilities

## Responsibilities

### Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with the Audit Plan that we issued on 10 February 2016 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
  - ▶ On the 2015/16 financial statements; and
  - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
  - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
  - ▶ Any significant matters that are in the public interest;
  - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
  - ▶ If we have discharged our duties and responsibilities as established by thy Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on you Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.



## Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

# Financial Statement Audit

## Financial Statement Audit

### Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 5 September 2016.

Our detailed findings were reported to the 5 September 2016 Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and analysed these journals using criteria we set to identify any unusual journal types or amounts. We then tested a sample of journals that met our criteria and tested these to supporting documentation.</p> <p>We considered the following accounting estimates most susceptible to bias:</p> <ul style="list-style-type: none"><li>- Pension liability;</li><li>- NDR appeals provision;</li><li>- Valuation of Property, plant and equipment and investment properties.</li></ul> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>

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#### Revenue and expenditure recognition

Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.

We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end.

For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of inappropriate expenditure recognition. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

We developed a testing strategy to cover all material revenue and expenditure streams, revenue cut-off at period end and additions to capital to ensure they were revenue in nature. We also reviewed and tested revenue and expenditure recognition policies and any significant estimates.

Our testing did not identify any expenditure which had been inappropriately capitalised. Our testing has not revealed any material misstatements with respect to revenue and expenditure recognition.

Overall our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Council's financial position.

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#### Property, plant and equipment

Property, Plant and Equipment (PPE) represent the largest value on the Council's balance sheet. PPE are initially measured at cost and then revalued to fair value (determined by the amount that would be paid for the asset in its existing use) on a 5 year rolling basis. This is carried out by an expert valuer and is based on a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment.

Due to the nature, size and complexity of PPE accounting we considered this a significant risk.

Our approach focused on:

- reviewing the information provided to the valuer of the property plant and equipment;
- undertaking procedures to ensure we could rely on the valuer as management's expert;
- reviewing the figures provided by the valuer to ensure they are reasonable; and
- reviewing and testing the capital accounting entries in the financial statements.

We did not identify any material issues in regards to the valuer or the accounting in the financial statements.

A close-up, shallow depth-of-field photograph of a stack of coins. The coins are stacked vertically, with some showing their edges and others showing their faces. The lighting is warm, highlighting the metallic texture and the ridges on the edges. A bright yellow rectangular box is overlaid on the left side of the image, containing the text 'Value for Money'.

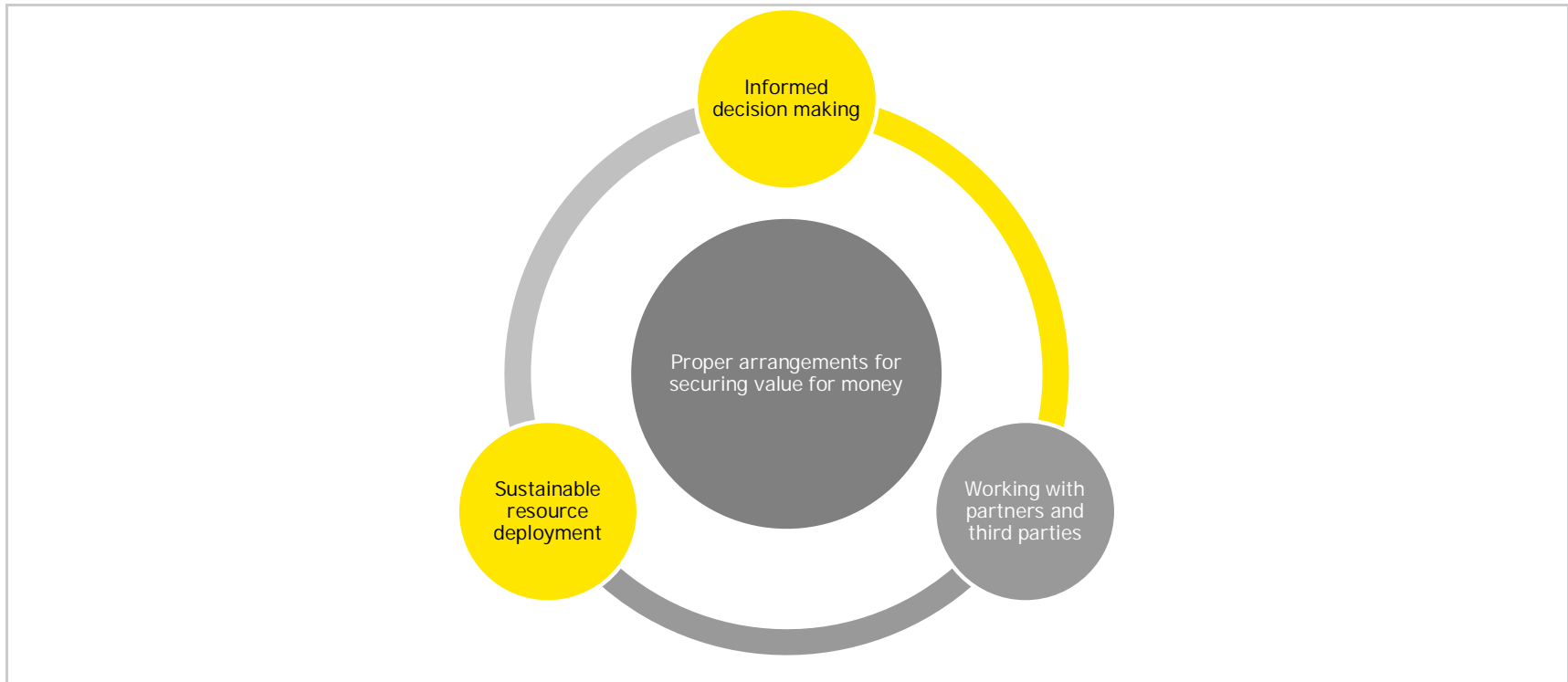
## Value for Money

## Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We issued an unqualified value for money conclusion on 5 September 2016.

Our audit did not identify any significant matters in relation to the Council's arrangements.

## Other Reporting Issues

## Other Reporting Issues

### Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

### Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

### Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

### Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

### Objections Received

We did not receive any objections to the 2014/15 financial statements from member of the public.

### Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.



## Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 5 September 2016. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

## Control Themes and Observations

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

A close-up photograph of a person's face as they look through a pair of black binoculars. The person's eyes are focused on the lenses. A bright yellow rectangular box is overlaid on the left side of the image, containing the text "Focused on your future". The background is a soft, out-of-focus white.

Focused on your  
future

## Focused on your future

Area	Issue	Impact
EU referendum	<p>Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&amp;P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. For entities in the public sector, there is likely to be an impact on investment property valuations if confidence in the wider UK property market falls; and the valuation of defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact of these issues, but there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.</p>	<p>Many of the issues and challenges that face the UK public sector will continue to exist, not least because continued pressure on public finances will need responding to. Additionally it may well be that the challenges are increased if the expected economic impacts of the referendum and loss of EU grants outweigh the benefits of not having to contribute to the EU and require even more innovative solutions.</p> <p>We are committed to supporting our clients through this period, and help identify the opportunities that will also arise. We will engage with you on the concerns and questions you may have, provide our insight at key points along the path, and provide any papers and analysis of the impact of the referendum on the Government and Public Sector market.</p>
Devolution	<p>The UK has lagged behind other countries in decentralising its governance. But in recent years, 'localism' has gained momentum. Large parts of England have started to agree Devolution Deals, which transfer powers in policy areas such as housing, planning and transport, education, employment, skills, health and policing.</p> <p>If managed well, it could help stimulate local economies to achieve higher levels of job creation and growth; improve public service outcomes through better local coordination of resources and funding; revitalise local democracy through more accountable governance; and improve the sustainability of public finances.</p> <p>In March, the Chancellor published an offer to local authorities in East Anglia - to form an East Anglia Combined Authority covering Norfolk, Suffolk, Cambridgeshire and Peterborough. Communities and businesses in Norfolk and Suffolk were consulted on the proposals.</p>	<p>The Cities and Local Government Devolution Act came into force on 28 March 2016. Orders and regulatory amendments relating to constitutional or electoral issues need to be in place by late 2016 to ensure that the combined authority can come into effect early in 2017 and the Mayoral elections can take place in May 2017.</p> <p>The Secretary of State must first make an Order for the creation of the combined authority and then seek consent to the draft Order from each authority. The draft Order will be considered by both Houses of Parliament before being made.</p> <p>In EY's report '<i>From Whitehall to Townhall Preparing for devolution to England's city regions</i>' we look at progress so far and outline the factors that have driven success in winning more powers. We reflect on the</p>

Area	Issue	Impact
	<p>Negotiations between the Councils in the East Anglian region concluded that the interests of the region would be best met through two combined authorities - Cambridgeshire and Peterborough, and Norfolk and Suffolk.</p> <p>Norfolk and Suffolk have now negotiated a new devolution deal, proposing the formation of a Combined Authority. This proposal remains subject to ratification by each Council.</p>	<p>readiness of different areas to make a success of devolution and speculate on the long-term impact on local government.</p> <p>The debate will continue for some time to come, and lessons will be learned along the way. Drawing on our experience of working with a number of local authorities and cities, we are committed to helping facilitate debate and sharing best practices to help local government deliver the best services and outcomes to their communities and citizens.</p> <p>We will also need to consider how Councils are preparing for the transition to the new arrangements, whilst maintaining 'business as usual,' for our 2016/17 Value For Money conclusion.</p>

Appendix A

## Audit Fees



## Appendix A Audit Fees

Our fee for 2015/16 is in line with the scale fee set by the PSAA and reported in our 19 August 2016 Annual Results Report.

Description	Final Fee 2015/16 £'s	Scale Fee 2015/16 £'s	Final Fee 2014/15 £'s
Total Audit Fee – Code work	54,289 – See Note 1	51,291	73,188
Total Audit Fee – Certification of claims and returns	TBC – See Note 2	19,602	31,280

Note 1 - The final fee includes an additional £2,998 for audit work pertaining to the group audit work that we completed which is outside of the scale fee. This was set out in the audit plan and relates to the group consolidation and work with the component auditor of the consolidated subsidiary company. This is currently subject to final approval by Public Sector Audit Appointments Ltd (PSAA).

Note 2 - Certification of claims and returns - We have commenced our work in this area but it is not yet complete. We will report the results of our work and the final fee with you in our Annual Certification Report early in 2017.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

EY | Assurance | Tax | Transactions | Advisory

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ED None

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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## Agenda Item 11

REPORT TO:	<b>AUDIT COMMITTEE</b>		
DATE:	28 November 2016		
TITLE:	<b>MID YEAR REVIEW TREASURY REPORT 2016/2017</b>		
TYPE OF REPORT:	Review		
PORTFOLIO(S):	Performance - Cllr Brian Long		
REPORT AUTHOR:	Toby Cowper		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

### **REPORT SUMMARY/COVER PAGE**

<p><b>PURPOSE OF REPORT/SUMMARY:</b></p> <p>Summary</p> <p>The Council has formally adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (2011) and remains fully compliant with its requirements.</p> <p>One of the primary requirements of the Code is:</p> <p>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.</p> <p>The Mid -Year Review Report has been prepared in compliance with CIPFA's Code of Practice, and covers the following:</p> <ul style="list-style-type: none"> <li>• A review of the Treasury Management Strategy</li> <li>• The Council's capital expenditure (prudential indicators)</li> <li>• An economic update for the first six months of 2016/2017 – Appendix 5</li> </ul>
<p><b>RECOMMENDATIONS:</b></p> <p>Audit Committee is asked to review the report and the treasury activity.</p>
<p><b>REASONS FOR RECOMMENDATIONS:</b></p> <p>The Council has formally adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (2011) and remains fully compliant with its requirements.</p> <p>One of the primary requirements of the Code is:</p> <p>Receipt by Audit Committee of an a mid year review report.</p>



## 1. The 2016/2017 Mid Year Review

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Council's Code of Practice on Treasury Management require that the Audit Committee consider a Mid Year Review Report.
- 1.2 During the first 6 months of the year the Council maintained a cautious approach to investment and management of debt.
- 1.3 The Councils portfolio position as at 30 September 2016 was:

	31 March 2016 Actual £million	30 September 2016 Actual £million
Borrowing	17.20	13.10
Investments	(28.30)	(28.36)
<b>Net Position</b>	<b>(11.10)</b>	<b>(15.26)</b>

- 1.4 The Council held **£28.36m** of investments (including temporary cashflow) as at 30 September 2016 and the investment portfolio yield for the first six months of the year is 0.81% against a benchmark 0.13% (7 day LIBID – London Interbank Bid Rate).

Details of the 'Treasury Benchmarking Group' can be found in *Appendix 4*, and shows the Council has the highest return at the end of the second quarter in comparison with its members on the benchmarking group.

Budgeted Interest Receivable	Actual Interest Received
(£144,000)	(£145,450)

- 1.5 During the first 6 months of 2016/2017 interest on external debt was paid at an average rate of 3.39%.

Budgeted Interest Payable	Actual Interest Paid
£232,500	£228,654

Details of the investment portfolio as at the 30 September 2016 can be found in *Appendix 1*

Details of the borrowing portfolio as at the 30 September 2016 can be found in *Appendix 2*

## **2. Compliance with Treasury Limits**

- 2.1 During the financial year to September 2016, the Council operated within the treasury limits and prudential indicators set out in the Council's Treasury Policy Statement 2016/2017 and annual Treasury Strategy Statement 2016/2017. The mid term review of the prudential indicators is shown in *Appendix 3*.

## **3. Mid Year Review Summary**

- The Treasury Management Strategy Statement is still fit for purpose.
- Interest rates are predicted to fall to 0.1 in December 2016 and then not rise again until June 2018.
- The Council held £28.36m of investments as at 30 September 2016.
- The average rate of return on investments is 0.81% as at September 2016
- The Council held £13.1m of external debt as at 30 September 2016.
- The Council is paying an average rate of 3.39% on its external debt. This can be broken down into an average of 3.81% for long term debt and an average of 2% for short term debt
- During the first six months of the year, no debt rescheduling was undertaken.
- Council officers are continuing to investigate alternative options for investment where opportunities become available as an alternative to traditional investments. To date none of these investments have been taken up. A capital and property investment strategy is scheduled to be put forward at a future Cabinet meeting.
- The Assistant Director confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2016/2017.
- During the financial year to date the Council has operated within the treasury limits and prudential indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.
- Undertook benchmarking with other local Councils to ensure that experiences and opportunities were shared and investment instruments were consistent, while maintaining good credit quality and security (*Appendix 4*).

#### **4 Financial Implications**

- 4.1 The financial implications of the borrowing and investment strategy are reflected in the financing adjustment figure included in the Financial Plan 2015/2020 approved at Cabinet on 2 February 2016 and updated as reported in the Budget Monitoring report.

#### **5. Risk Management Implications**

- 5.1 There are elements of risk in dealing with the treasury management function although the production and monitoring of such controls as prudential indicators and the treasury management strategy help to reduce the exposure of the Council to the market. The costs and returns on borrowing and investment are in themselves a reflection of risk as seen by the market forces.

#### **6. Policy Implications**

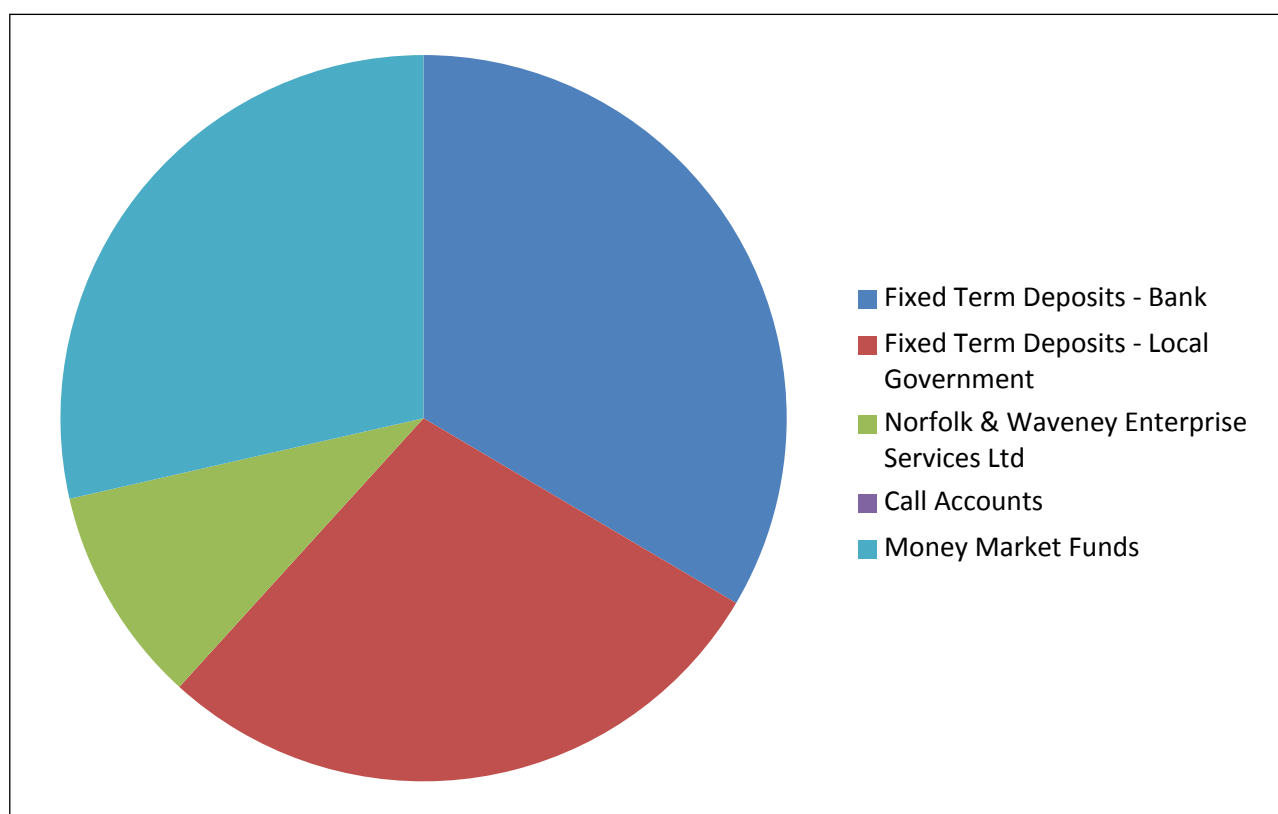
- 6.1 There are no changes in the Treasury Management policy at present.

#### **7. Statutory Considerations**

- 7.1 The Council must set prudential indicators and adopt a Treasury Management Strategy and Annual Investment Strategy.

#### **8. Access to Information**

The Budget 2015/2020 – A Financial Plan  
Capital Programme 2015/2020  
Treasury Management Strategy and Annual Investment Strategy 2016/2017  
Budget Monitoring reports 2016/2017  
Capita Asset Services Monthly Investment Analysis Review  
Investment Portfolio Benchmarking Analysis September 2016  
Treasury Monthly Monitoring Reports



Institution	Principal £	Start Date	End Date	Rate %	Ratings
Norfolk & Waveney Enterprise Services Ltd	2,500,000	27/03/2014		1.80	N/A
Santander	4,000,000	10/12/2015		1.15	A
King & Shaxson – RBS	2,500,000	22/05/2015	22/05/2017	1.33	BBB+
Qatar Bank	3,000,000	01/06/2016	01/06/2017	1.05	AA-
Fife Council	3,000,000	12/11/2015	13/11/2017	0.95	AAA
Bury Metro BC	3,000,000	21/04/2016	23/04/2018	1.00	AAA
West Cheshire & Chester Council	2,000,000	20/11/2016	19/01/2018	0.99	AAA
Gaywood Community Centre	10,200	20/07/2016			N/A
BNP Parabis MMF*	3,000,000	20/07/2016		0.38	A+
Legal and General MMF	3,000,000	04/08/2016		0.33	A+
Ignis MMF	2,100,000	24/08/2016		0.31	A+
<b>Total</b>	<b>28,360,201</b>			<b>0.81</b>	

\*MMF – denotes Money Market Fund used for daily cashflow purposes

Institution	Principal £	Start Date	End Date	Rate
Suffolk County Council Local Enterprise Partnership (LEP)	2,500,000	27/03/2014	30/11/2018	1.80%
Barclays	5,000,000	22/03/2007	21/03/2077	3.81%
Barclays	5,000,000	12/04/2007	14/04/2077	3.81%
Public Works Loan Board	600,000	15/09/2009	14/09/2019	2.92%
<b>Total</b>	<b>13,100,000</b>			<b>3.39%</b>

<b>Net borrowing and the CFR</b>	<b>31 March 2016 Actual £million</b>	<b>30 September 2016 Actual £million</b>
Borrowing	17.2	13.1
Investments	(28.3)	(28.4)
<b>Net Position</b>	<b>(11.1)</b>	<b>(15.3)</b>
<b>Capital Financing Requirement</b>	<b>18.0</b>	<b>25.1</b> (estimate for 2016/2017 year end)

In order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2016/2017. This essentially means that the Council is not borrowing to support revenue expenditure. The Council has complied with this prudential indicator.

## The Council's Capital Position and Associated Prudential Indicators

The capital programme approved by Council on 2 February 2016 was updated for rephrasing and amendments as part of the closedown of the accounts 2015/2016. The updated estimates were approved by Council on 28 June 2016 and are shown in the table below. The capital programme 2016/2017 has been revised as reported in the Monthly Monitoring reports.

<b>Capital Expenditure</b>			
<b>Service Head</b>	<b>Capital Programme 2016/2017 (Council 2 February 2016)</b>	<b>Revised Capital Programme 2016/2017 (Council 28 June 2016)</b>	<b>Expenditure as at 30 September 2016</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Major Projects	18,764	19,983	4,727
Central and Community Services	1,933	2,223	475
Chief Executive	226	111	72
Commercial Services	2,478	2,987	957
Environment and Planning	12	16	(5)
Resources	0	0	0
<b>Total Capital Programme</b>	<b>23,413</b>	<b>25,320</b>	<b>6,226</b>

Capital Financing Requirement is defined as the underlying need to incur borrowing for capital purposes. The table below compares the original estimated CFR for year end 2016/2017 with the position as at year end 2015/2016.

<b>Capital Financing Requirement</b>		
<b>2016/2017 Original Estimate</b>	<b>Position as at 31/3/2016</b>	<b>2016/2017 Revised Estimate</b>
<b>£m</b>	<b>£m</b>	<b>£m</b>
25.1	18.0	25.1

<b>Budget Related Prudential Indicators – Revised</b>			
	<b>2016/2017 revised estimate</b>	<b>2017/18 estimate</b>	<b>2018/19 estimate</b>
<b>Capital Expenditure</b> Approved at Cabinet 28 June 2016	25,320,630	23,377,290	13,320,760
<b>Ratio of financing costs to net revenue stream</b> (Equals net treasury cost ie cost of borrowing less the income from investments divided by the total of Government grant and total council tax).	2.93%	3.73%	3.84%
<b>Capital Financing Requirement (CFR) as at 31 March</b> this reflects the Council's underlying need to borrow for capital purposes	£25,130	£26,433	£16,620



<b>Authorised / Operational Limit for external debt</b>			
	<b>2016/2017 estimate £'000</b>	<b>2017/18 estimate £'000</b>	<b>2018/19 estimate £'000</b>
<b>Authorised Limit for external debt</b>	35,000	35,000	32,000
<b>Operational Boundary for external debt</b>	30,000	30,000	27,000

- The Authorised Limit represents the maximum limit beyond which borrowing is prohibited, and needs to be set and revised by Members.
- The Operational Boundary for External Debt is a working practice limit that is set lower than the Authorised Limit. In effect the authorised limit includes a degree of contingency in case of circumstances arising that take the limit above the operational limit.

<b>Interest Rate Exposures (Limit on fixed and variable rate borrowing)</b>			
	<b>2016/2017 Upper £</b>	<b>2017/2018 Upper £</b>	<b>2018/2019 Upper £</b>
<b>Limits on fixed interest rates based on net debt</b>	35,000	35,000	32,000
<b>Limits on variable interest rates based on net debt</b>	20,000	20,000	20,000

<b>Maturity Structure of fixed interest rate borrowing</b>			
	<b>Lower</b>	<b>Upper</b>	<b>Portfolio Position as at 30 September 2016</b>
<b>Under 12 months</b>	0%	100%	0%
<b>12 months to 2 years</b>	0%	100%	0%
<b>2 years to 5 years</b>	0%	100%	23.7%
<b>5 years to 10 years</b>	0%	100%	0%
<b>10 years and above</b>	0%	100%	76.3%

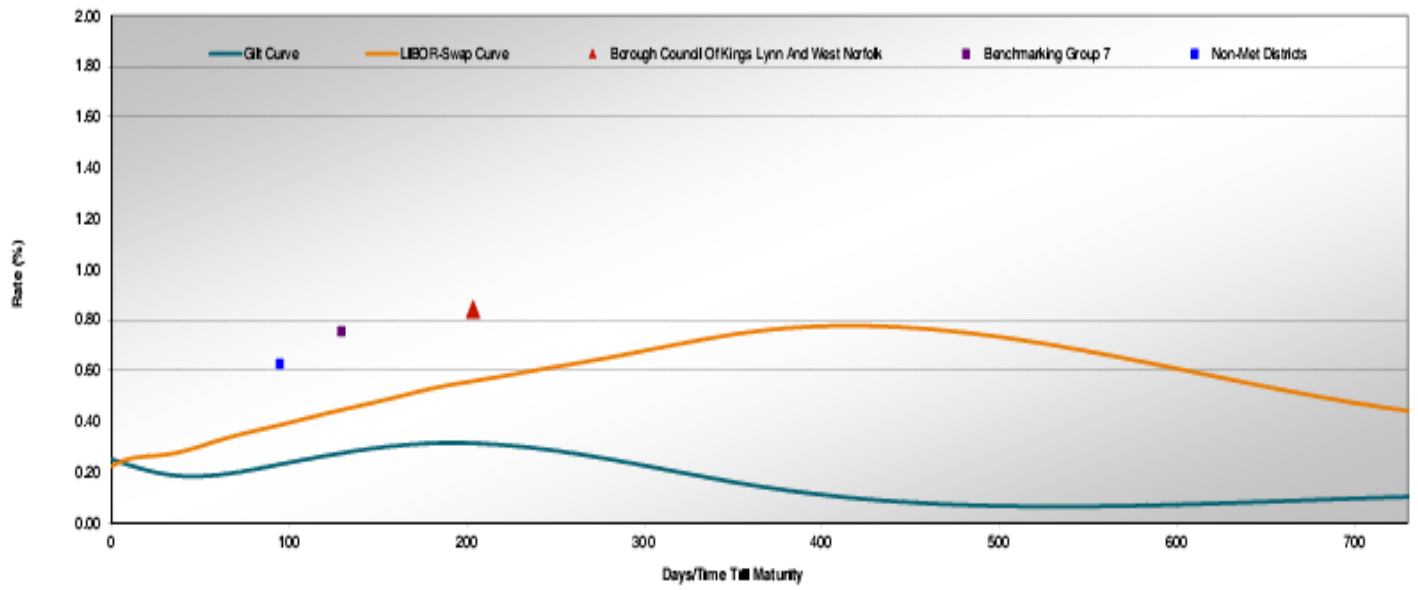
The Council is a member of a Treasury Benchmarking Group, where Capita Treasury clients from neighbouring authorities (including those in Norfolk, Suffolk and Cambridgeshire) meet to discuss treasury instruments relevant to their authority and discuss ideas for borrowing and investments.

All authorities want to try to maximise their returns, whilst maintaining good credit quality and security during the difficult financial climate. In addition to this, percentage rate returns are disclosed at each quarterly meeting.

The Councils return of 0.84% is the highest return for the end of the second quarter against the group with the average return being 0.76%.

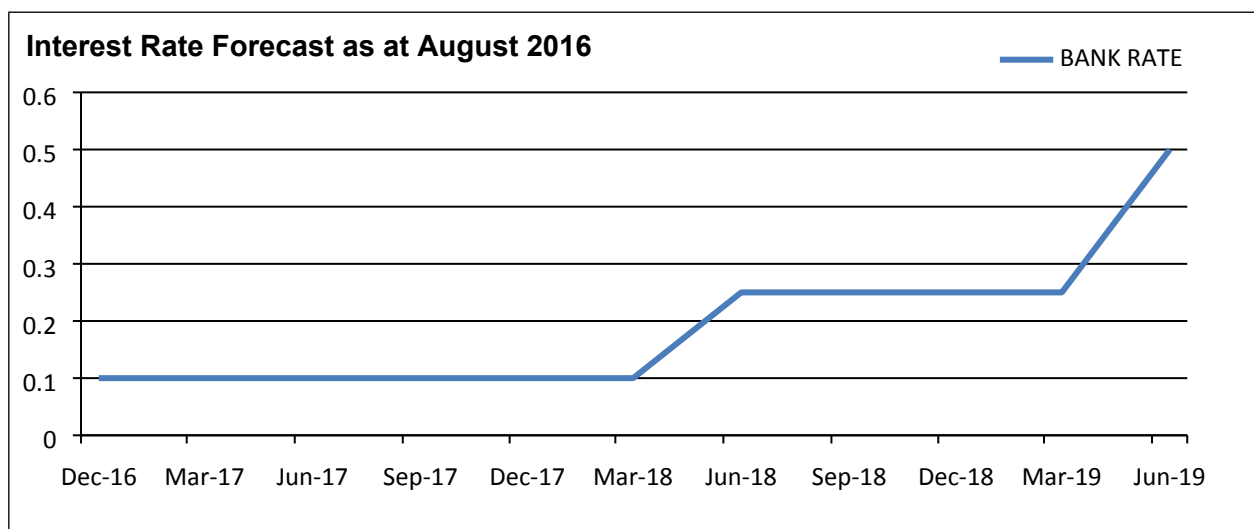


### Returns Comparable Against the Risk-Free Rate and LIBOR Curve



	WARoR	WAM	WATT	WARisk	Gilt	LIBOR-Swap	Difference		Model	
							Gilt	LIBOR-Swap	Bands	Performance
Borough Council Of Kings Lynn And West Norfolk	0.84%	203	343	2.2	0.31%	0.56%	0.53%	0.28%	0.60% - 0.73%	Above
Benchmarking Group 7	0.76%	129	240	4.5	0.27%	0.44%	0.48%	0.31%	0.64% - 0.76%	Inline
Non-Met Districts	0.63%	94	179	3.9	0.23%	0.38%	0.40%	0.24%	0.56% - 0.69%	Inline

## Economic update – Provided by Capita Asset Services as at September 2016



- 1.1 UK GDP (Gross Domestic Product) growth rates in 2013 of 2.2% and 2.9% in 2014 were strong but 2015 was disappointing at 1.8%, though it still remained one of the leading rates among the G7 countries. Growth improved in quarter 4 of 2015 from +0.4% to 0.7% but fell back to +0.4% (2.0% y/y) in quarter 1 of 2016 before bouncing back again to +0.7% (2.1% y/y) in quarter 2. During most of 2015, the economy had faced headwinds for exporters from the appreciation during the year of sterling against the Euro, and weak growth in the EU, China and emerging markets, plus the dampening effect of the Government's continuing austerity programme. The referendum vote for Brexit in June this year delivered an immediate shock fall in confidence indicators and business surveys, pointing to an impending sharp slowdown in the economy. However, subsequent surveys have shown a sharp recovery in confidence and business surveys, though it is generally expected that although the economy will now avoid flat lining, growth will be weak through the second half of 2016 and in 2017.
- 1.2 The Bank of England meeting on August 4th addressed this expected slowdown in growth by a package of measures including a cut in Bank Rate from 0.50% to 0.25%. The Inflation Report included an unchanged forecast for growth for 2016 of 2.0% but cut the forecast for 2017 from 2.3% to just 0.8%. The Governor of the Bank of England, Mark Carney, had warned that a vote for Brexit would be likely to cause a slowing in growth, particularly from a reduction in business investment, due to the uncertainty of whether the UK would have continuing full access, (i.e. without tariffs), to the EU single market. He also warned that the Bank could not do all the heavy lifting and suggested that the Government will need to help growth by increasing investment expenditure and possibly by using fiscal policy tools (taxation). The new Chancellor Phillip Hammond announced after the referendum result, that the target of achieving a budget surplus in 2020 will be eased in the Autumn Statement on November 23.
- 1.3 The Inflation Report also included a sharp rise in the forecast for inflation to around 2.4% in 2018 and 2019. CPI (Consumer Price Index) has started rising during 2016 as the falls in the price of oil and food twelve months ago fall out of

the calculation during the year and, in addition, the post referendum 10% fall in the value of sterling on a trade weighted basis is likely to result in a 3% increase in CPI over a time period of 3-4 years. However, the MPC (Monetary Policy Committee) is expected to look through a one off upward blip from this devaluation of sterling in order to support economic growth, especially if pay increases continue to remain subdued and therefore pose little danger of stoking core inflationary price pressures within the UK economy.

- 1.4 The American economy had a patchy 2015 with sharp swings in the growth rate leaving the overall growth for the year at 2.4%. Quarter 1 of 2016 disappointed at +0.8% on an annualised basis while quarter 2 improved, but only to a lacklustre +1.4%. However, forward indicators are pointing towards a pickup in growth in the rest of 2016. The Fed. embarked on its long anticipated first increase in rates at its December 2015 meeting. At that point, confidence was high that there would then be four more increases to come in 2016. Since then, more downbeat news on the international scene and then the Brexit vote, have caused a delay in the timing of the second increase which is now strongly expected in December this year.
- 1.5 In the Eurozone, the ECB (European Central Bank) commenced in March 2015 its massive €1.1 trillion programme of quantitative easing to buy high credit quality government and other debt of selected EZ (Eurozone) countries at a rate of €60bn per month; this was intended to run initially to September 2016 but was extended to March 2017 at its December 2015 meeting. At its December and March meetings it progressively cut its deposit facility rate to reach -0.4% and its main refinancing rate from 0.05% to zero. At its March meeting, it also increased its monthly asset purchases to €80bn. These measures have struggled to make a significant impact in boosting economic growth and in helping inflation to rise from around zero towards the target of 2%. GDP growth rose by 0.6% in quarter 1 2016 (1.7% y/y) but slowed to +0.3% (+1.6% y/y) in quarter 2. This has added to comments from many forecasters that central banks around the world are running out of ammunition to stimulate economic growth and to boost inflation. They stress that national governments will need to do more by way of structural reforms, fiscal measures and direct investment expenditure to support demand in the their economies and economic growth.
- 1.6 Japan is still bogged down in anaemic growth and making little progress on fundamental reform of the economy while Chinese economic growth has been weakening and medium term risks have been increasing.
- 1.7 The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19
Bank rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.25%	0.25%	0.25%	0.25%	0.50%
5yr PWLB rate	1.00%	1.00%	1.10%	1.10%	1.10%	1.10%	1.20%	1.20%	1.20%	1.20%	1.30%
10yr PWLB rate	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%
25yr PWLB rate	2.30%	2.30%	2.40%	2.40%	2.40%	2.40%	2.50%	2.50%	2.50%	2.50%	2.60%
50yr PWLB rate	2.10%	2.10%	2.20%	2.20%	2.20%	2.20%	2.30%	2.30%	2.30%	2.30%	2.40%

- 1.8 Capita Asset Services undertook a quarterly review of its interest rate forecasts after the MPC meeting of 4th August cut Bank Rate to 0.25% and gave forward guidance that it expected to cut Bank Rate again to near zero before the year end. The above forecast therefore includes a further cut to 0.10% in November this year and a first increase in May 2018, to 0.25%, but no further increase to 0.50% until a year later. Mark Carney (Bank of England), has repeatedly stated that increases in Bank Rate will be slow and gradual after they do start. The MPC is concerned about the impact of increases on many heavily indebted consumers, especially when the growth in average disposable income is still weak and could well turn negative when inflation rises during the next two years to exceed average pay increases.
- 1.9 The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. An eventual world economic recovery may also see investors switching from the safe haven of bonds to equities. However, we have been experiencing exceptional levels of volatility in financial markets which have caused significant swings in PWLB rates. Our PWLB rate forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1<sup>st</sup> November 2012.
- 1.10 The overall balance of risks to economic recovery in the UK remains to the downside. Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:
- Monetary policy action reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some major developed economies, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
  - Weak capitalisation of some European banks.
  - A resurgence of the Eurozone sovereign debt crisis.
  - Geopolitical risks in Europe, the Middle East and Asia, increasing safe haven flows.
  - Emerging country economies, currencies and corporates destabilised by falling commodity prices and / or Fed. rate increases, causing a further flight to safe havens (bonds).
  - UK economic growth and increases in inflation are weaker than we currently anticipate.
  - Weak growth or recession in the UK's main trading partners - the EU and US.
- 1.11 The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -
- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
  - UK inflation returning to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium inherent to gilt yields.

**AUDIT AND RISK COMMITTEE REPORT**

<b>TYPE OF REPORT:</b> Audit	<b>Portfolio:</b> Performance
<b>Author Name:</b> Kate Littlewood	<b>CONSULTATIONS:</b> James Hay, Fraud Investigations Officer
<b>Tel.:</b> 01553 616252	
<b>Email:</b> kate.littlewood@west-norfolk.gov.uk	
<b>OPEN</b>	

**Committee:** Resources and Performance – Audit & Risk Committee  
**Date:** 28<sup>th</sup> November 2016  
**Subject:** Internal Audit Plan 2016/17 and Fraud work –Half Year progress report April to October 2016.

<b>Summary</b>	This report shows the Internal Audit activity against the Strategic Audit Plan 2016/17 and fraud work for April to October 2016
<b>Recommendation</b>	Members are asked to consider the work completed and indicate if they are satisfied with the progress against the agreed plan.

**1.0 Introduction and Background**

1.1 The Strategic Audit Plan 2016/17, endorsed by the Audit and Risk Committee on 23<sup>rd</sup> February 2016, sets out the work Internal Audit expect to carry out during the year. This work complies with the requirement under section 3 of the Accounts and Audit Regulations 2015<sup>1</sup> for the Council to

*‘ensure that it has a sound system of internal control which:*

- a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives*
- b) Ensures that the financial and operational management of the authority is effective.’*

1.2 Performance Standard 2060 of the Public Sector Internal Audit Standards (PSIAS) requires the Audit Manager to report to the Audit and Risk Committee on the internal audit activity and performance relative to this plan.

1.3 Audit Committee Terms of Reference require the Committee to *‘Monitor delivery of the internal audit activity, fraud investigation work and Risk Management in the Council’*.

## 2.0 Audit work for April to October 2016.

2.1 On completion of each audit a formal report is initially issued to the relevant line managers and the Executive Director for the service concerned. After two weeks copies are also sent to the Chief Executive, Portfolio Holder, Assistant Director (s151 Officer), the external auditors, Ernst and Young and a copy placed on InSite for Audit Committee to access. The report contains an action plan, with target dates, that has been agreed with the managers to address the observations and recommendations raised by Internal Audit. This forms the basis of the follow-up audit, which is carried out approximately six months later to assess progress in implementing the agreed actions.

## 2.2 Reports issued during the quarter

The following audits have been completed and reports issued as described above:

- 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

A summary of the reports is attached as **Appendix 1** and the full versions are available under the relevant year to members of the Audit & Risk Committee on InSite. Some of these reports are the result of completion of work started in 2015/16.

## 2.3 Work ongoing

The following audits were ongoing at the time of writing the report and will be reported to the Committee in the next progress report:

- Policies
- S106/CIL
- Transparency agenda
- Housing Options and Allocations
- Contracts
- Informing the Customer
- Refuse Collection and Recycling



#### 2.4 Other work carried out

Apart from the standard audits, Internal Audit also undertook other work including the following:

- Water Management Alliance audit
- Checks on the Cost of Living and Performance Related Pay calculation spreadsheets
- Review of Statement of Accounts working papers
- Update of the Corporate Risk Register
- Review and update of Financial Regulations. A report on this will be presented to the Committee.
- Review of the Annual Governance Statement

#### 2.5 Changes to the Audit Plan

No changes to the audit plan are envisaged at this point.

### 3.0 Performance Indicators

#### 3.1 Delivery of the Audit Plan

A target of 95% has been set to take in to 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 below summarises the position against the planned audits contained in the Audit Plan 2015/16.

<b>2016/17 Status of Audits</b>	<b>Audit days used</b>	<b>Percentage of Plan (in days)</b>
Completed and reported	125	26%
In Progress	105	22%
Planned for future quarters	250	52%
<b>Total Planned Audits</b>	<b>480</b>	<b>100%</b>

#### 3.2 Planned audit time

A target of 60% has been set for the full year and for the year to date it has been 67%. This refers to the proportion of the total available time that is spent on planned audit work.

### 4.0 Work planned for November 2016 to March 2017.

4.1 As well as completing the ongoing work listed in paragraph 2.3, the following audits are planned for the second half of 2016/17:

- Partnership working
- Creditors
- Treasury Management
- Asset register and Inventories
- Payroll

- Insurance
- Capital Programme
- ICT Network Security
- ICT Change Management
- Alive Leisure/ Management
- Allotments
- Care and Repair
- Emergency Planning and Management
- Housing Standards
- Play Areas
- Internal Communications
- Licensing
- Tourism and Tourist Information

## **5.0 Investigation work April to October 2016**

### **5.1 NFI update**

There are currently 2 NFI reporting sites being completed:

- The Flexible Matching Service site
- The NFI 2014/15 Site

There are 1,738 matches within the “Flexible Matching Service Site” of which 1,655 have now been processed. These matches mainly consist of Council Tax Single Person Discount (SPD) review matches. The outstanding matches are for Council Tax accounts that do not match Electoral Register information that require further investigation. Additionally some matches refer to details where the second adult is due to turn 18 between now and the end of the financial year. All ‘Recommended’ (these are completed on a high priority basis) matches have now been completed. Out of 238 accounts which have been found to have errors, 197 accounts have resulted in an increase in liability with a total of £75,237.08 additional liability being raised.

There are 2,023 matches within the “NFI 2014/15 Site” of which 2,019 have now been processed. These matches are spread over 46 different reports, covering Housing Benefit and Creditor matches. There are currently 4 ongoing investigations over 3 reports that still require processing. All ‘Recommended’ matches have now been completed. A total of £39,434.30 of fraud and error has been identified.

In total there were 3,761 matches received, 3,674 have been processed and 87 are waiting to be processed. A total of £114,671.38 fraud/error/additional revenue has been identified.

Date for the NFI 2016/17 National Exercise was uploaded to the NFI site early in October and the resulting matches will be available from January 2017 to be checked and investigated. No housing benefit data has been requested from the Council for this exercise.

## 5.2 Council Tax Reduction Scheme

The Department for Work and Pensions (DWP) investigate Housing Benefit and benefits such as Jobseekers Allowance, Income Support, Employment Support Allowance and other benefits that they process which give Council Tax Support customers a 'passported' entitlement. Meaning that this would need to be amended before Council Tax Support is affected. These are not investigated by Council staff.

Council staff need only to investigate 'non-passported' Council Tax Support claims, where the customer is not in receipt of any of the above benefits.

There are 11,786 Council Tax Support claims (passported and non-passported) in payment. However 2268 are 'non-passported' and would be considered suitable for investigation. These are claims where the customer:

- is receiving in excess of £2.50 per week
- is not receiving any type of disability entitlement (also investigated by the DWP)
- is aged between 18 to 75

The DWP send through forms known as Local Authority Exchange of Information Forms (LAEIF), these are checked by the Investigator to identify any cases that require Council Tax Support Investigations to be conducted. Additionally there are referrals received from the general public. Each referral is considered on its own merit and considered for investigation (either formal or informal), common sense is applied as to whether the case should be considered for a criminal investigation or whether to just ensure that the relevant adjustments are made to the claim details.

## 5.3 Housing Tenancy Fraud

This is an ongoing project being undertaken by the Investigator in addition to his main responsibilities. Investigations are undertaken on behalf of the registered partners (local housing associations) as and when they are identified. It has been agreed that the Investigator will conduct the first investigation free of charge for the registered partners in order to try to create a budget for them for future cases through successful Unlawful Profit Orders. A costing list has been produced for future investigations which has been based on-cost and is not intended to be for profit purposes. This decision is intended to help towards cost reductions. Future NFI data matching is to be considered to help identify potential Tenancy Fraud cases through the Housing Register and the Investigator is going to look into whether any registered partners would be interested in carrying out data matching exercises of their records.

## 5.4 Identified Fraud and Error figures

The following figures reflect the fraud and error identified following investigations being carried out for the period 1 April 2016 to 30 September 2016:

Housing Benefit* (inc Discretionary Housing Payments) & Council Tax Benefit	<b>£5,153.25</b>
Council Tax Reduction Scheme	<b>£1,813.66</b>
Administrative Penalties	<b>£1,014.35</b>
Council Tax	<b>£75,786.91</b>
National Non-Domestic Rates	<b>£0.00</b>
Duplicate Creditor Invoice	<b>£0.00</b>
Flood Grants awarded/claimed in error	<b>£5,000.00</b>
<b>Total fraud and error identified</b>	<b>£88,768.17</b>

\*In these cases Council Tax Support investigations and informal Housing Benefit investigations have resulted in Housing Benefit being affected and overpayments created.

## **6.0 Conclusion**

- 6.1 Progress to date has been satisfactory and at this point nothing has arisen to suggest that the plan will not be completed within the year. If anything does arise that will impact on the completion of the plan, the Committee will be informed at the next available meeting.
- 6.2 This report provides Members with an overview of the audit activity and outcomes over the period, and provides an opportunity for Members to seek further information if required.

## Notes to support the summary in Appendix 1

The following tables provide an explanation of the terms used to grade the recommendations contained in the final audit reports, and the overall opinion attributed as the result of each audit.

### Recommendations

The observations and recommendations are allocated a grading High, Medium or Low as defined below:

High	Major risk requiring action by the time the final report is issued.
Medium	Medium risk requiring action within six months of the issue of the draft report.
Low	Matters of limited risk. Action should be taken as resources permit.

Please note - 'Low' recommendations are not summarised in this report due to the insignificant nature of the issue.

### Audit Opinion

At the conclusion of the audit an overall audit opinion is formed for the audit area. The definition for each level of assurance is given below.

Full Assurance	A sound system of internal control that is likely to achieve the system objectives, and which is operating effectively in practice.
Substantial Assurance	A sound system of internal control, but there are a few weaknesses that could put achievement of system objectives at risk.
Limited Assurance	A system of internal control with a number of weaknesses likely to undermine achievement of system objectives, and which is vulnerable to abuse or error.
No Assurance	A fundamentally flawed system of internal control that is unlikely to achieve system objectives and is vulnerable to serious abuse or error.

Audits completed in the first half of 2016/17	Overall Opinion
<p><u>ICT Disaster Recovery</u> Report published April 2016. 3 High and 4 Medium recommendations. The High recommendations relate to developing a Business Resumption Plan; ensuring the security of the back-up room at Fakenham; and the need to carry out stress testing of the internet connectivity at Fakenham.</p> <p>The Medium recommendations relate to developing a Backup Policy; the need to balance costs and benefits of any alternative disaster recovery site; improve security at the backup facility at Broad Street and Valentine Road.</p>	Substantial assurance
<p><u>Housing Benefits</u> Report published April 2016 1 Low recommendation in relation to Discretionary Housing Payments.</p>	Full Assurance
<p><u>Business Continuity</u> Report published July 2016. 1 High, 14 Medium and 1 Low recommendations. The High recommendation is to develop a procedure for turnover / management of stored fuel that will provide greater assurance of the fuel not degrading. This was implemented at the time of the audit.</p> <p>The Medium recommendations focused mainly on reviewing various aspects of the Bronze level BCPs and storage of documentation. Some recommendations were made in respect of improving awareness of Business Continuity with staff, and availability of alternative work sites.</p>	Substantial assurance
<p><u>Creditors and Payments</u> Report published July 2016 10 High and 4 Medium recommendations. The High recommendations are aimed at reinforcing the use of the electronic ordering and payment authorisation system, rather than paper and manual methods; methods of improving compliance with</p>	Substantial assurance

Audits completed in the first half of 2016/17	Overall Opinion
<p>Employer Status Indicator (ESI) processes; and improving the use of corporate credit cards and supporting documentation.</p> <p>The Medium recommendations are concerned with meeting invoice settlement periods and information provided for setting up a new supplier.</p>	
<p><u>Asset Register and Inventories</u> Report published July 2016 1 Medium and 1 Low recommendation. The Medium recommendation refers to reconciling the depot's list of vehicles and the corporate asset register held on Technology Forge (TF).</p>	Substantial assurance
<p><u>Council Tax and Business Rates</u> Report published July 2016 No recommendations were made. Controls were reviewed in respect of the calculation of the Tax Base and the annual bills, and the Council Tax Support and Business Rates relief schemes were examined.</p>	Full Assurance
<p><u>Food Hygiene, Health and Safety, and Public Hygiene</u> Report published July 2016 6 Medium and 2 Low recommendations were made. The Medium recommendations are to review an update all procedures and the Health &amp; Safety Service Plan; review the Annual Intervention figures and consider if the current resources are satisfactory; and ensure RIDDOR reports are correctly coded and reasons for not investigating are recorded.</p>	Substantial assurance
<p><u>Careline</u> Report published August 2016. 2 High recommendations relating to outstanding arrears and the need to retain financial documents for six years. Further audit work is to be carried out as part of the follow-up on stock records.</p>	Substantial assurance

Audits completed in the first half of 2016/17	Overall Opinion
<p><u>Communications – Social Media</u> Report published August 2016 2 Medium recommendations to update the Communications Protocol and Social Media Guidance.</p>	Substantial Assurance
<p><u>Safeguarding Children</u> Report published August 2016 4 High and 3 Medium recommendations were made. The High recommendations were:</p> <ul style="list-style-type: none"> <li>• To adopt a simple risk assessment to guide staff on the appropriate level of action required.</li> <li>• Property Services to apply the risk assessment to activities that are the subject of leases or licences from the Council.</li> <li>• Apply the risk assessment to groups applying for funding or support from the Council</li> <li>• Ensure contracts are let in accordance with the risk assessment.</li> </ul> <p>The Medium recommendations include the production of generic guidance that can be provided to medium risk activities; inclusion of safeguarding considerations in the guidance templates for event managers; and require horse-riding establishments to have safeguarding procedures in place as part of the licensing process.</p>	Substantial Assurance
<p><u>General Ledger</u> Report published September 2016 1 High and 1 Low recommendations. The High recommendation was in connection with the inter company accounts and the care needed when raising purchase orders.</p>	Substantial Assurance
<p><u>Planning Enforcement</u> Report issued September 2016 1 Medium and 1 Low recommendation. The Medium recommendation was to review old cases on a systematic basis to ensure that none are overlooked.</p> <p>A further Medium recommendation was identified in relation to monitoring of the collection Court costs and compensation, but this is a broader issues than just Planning Enforcement, and requires further work on the</p>	Substantial Assurance



Audits completed in the first half of 2016/17	Overall Opinion
part of the auditor to establish a corporate approach. This will be the subject of a separate audit report in due course.	
<p><u>Attendance Management</u>            Report published October 2016            1 High and 2 Medium recommendations. The High recommendation concerns the late completion of Return to Work forms by some service managers. The Medium recommendations refer to some high levels of TOIL being accrued and not reduced; and to the use of the 'Fit for Work' scheme offered by the DWP.</p>	Substantial Assurance

Follow-up audits completed in the first half of 2016/17	Original report	Follow-up progress
<u>Recruitment</u> The report published in September 2015 contained 2 Medium recommendations, one of which had been implemented and the other was ongoing and has a new deadline of end of December 2016.	September 2015 Full Assurance	May 2016 Adequate
<u>Performance and Appraisal</u> The report published in September 2015 contained 1 Medium recommendation, which has been completed satisfactorily.	September 2015 Full Assurance	May 2016 Adequate
<u>Data Protection, Freedom of Information and Environmental Information Regulations</u> The report published in January 2016 contained 7 Medium and 3 Low recommendations. Of these 2 Medium recommendations remained outstanding and a new deadline of November 2016 was agreed.	January 2016 Substantial Assurance	June 2016 Good
<u>Civics</u> The report published in October 2015 contained 1 Medium recommendation, which has been implemented satisfactorily.	October 2015 Full Assurance	May 2016 Very Good

NFI 2014/15 Exercise Data Matches  
Summary of Progress

(Shaded grey = Closed)

<b>Dataset</b>	<b>NFI Matches report</b>	<b>No. matches</b>	<b>Comment</b>
Payroll	66.0 : Payroll to Payroll, between bodies	2	Both investigated and no issues arising. File closed.
Payroll	80 - Payroll to Creditors same bank account	26	All investigated and no issues arising. File closed.
Payroll	81 - Payroll to Creditors address quality	14	All investigated and no issues arising. File closed.
Insurance	180.6 - Insurance Claimants to Insurance Claimants	7	All investigated and no issues arising. File closed.
Creditors Standing Data	701. - Duplicate creditors by creditor name	222	221 matches have been investigated and closed with no issues arising. 1 match is being pursued for recovery of overpayment.
Creditors Standing Data	702 – Duplicate creditors by address detail	176	All investigated and no issues arising. File closed.
Creditors Standing Data	703 – Duplicate creditors by bank account number	41	All investigated and no issues arising. File closed.
Creditors History	707.0 : Duplicate records by invoice reference, invoice amount and creditor reference	86	53 recommended matches have been investigated and closed. In 51 cases no issues arising. 2 cases were identified as overpayments, 1 has been recovered and 1 is being pursued.
Creditors History	708.0 : Duplicate records by invoice amount and creditor reference	339	All investigated and 2 overpayments were identified, both of which have been recovered. File closed
Creditors History	709.0 : VAT overpaid	4	All investigated and no issues arising. File closed.
Creditors History	710.0 : Duplicate records by creditor name, supplier invoice number and invoice amount but different creditor reference	1	All investigated and 1 overpayment identified, which is has been recovered. File closed.
Creditors History	711.0 : Duplicate records by supplier invoice number and invoice amount but different creditor reference and name	24	All investigated and no issues arising. File closed.
Creditors History	713.0 : Duplicate records by postcode, invoice amount but different creditor reference and supplier invoice number and invoice date	7	All investigated and no issues arising. File closed.
Benefits	Matches requiring investigation have been referred to the Single Fraud Investigation Service with the DWP.		

## AUDIT AND RISK COMMITTEE REPORT

<b>TYPE OF REPORT:</b> Audit	<b>Portfolio:</b> Performance
<b>Author Name:</b> Kate Littlewood	<b>CONSULTATIONS:</b> <b>Senior Management Team</b>
<b>Tel.:</b> 01553 616252	
<b>Email:</b> kate.littlewood@west-norfolk.gov.uk	
<b>OPEN</b>	

**Committee:** Audit Committee  
**Date:** 28<sup>th</sup> November 2016  
**Subject:** Corporate Risk Monitoring Report October 2016

<b>Summary</b>	This report presents the changes to the Risk Register since the last monitoring report in April 2016 and gives details of the risks falling into the 'Very High' category and the associated work to mitigate the effects.
<b>Recommendation</b>	Members are requested to consider the contents of the risk register and confirm agreement with Management Team's assessment of the risks to the Corporate Objectives.

### 1.0 Introduction and Background

- 1.1 The Risk Management Policy and Risk Management Strategy were presented to the Audit and Risk Committee in February 2016 and approved by Cabinet on 1<sup>st</sup> March 2016.
- 1.2 The Terms of Reference for the Audit and Risk Committee include responsibility for monitoring the management of risk by Management Team. To this end, the Committee receives reports on a half-yearly basis on the position of the Corporate Risk Register, with the last one being presented in April 2016.
- 1.3 Each risk on the register is scored in terms of Impact and Likelihood, according to criteria defined within the Corporate Risk Strategy. The definitions are attached for reference in **Appendix 2**.
- 1.4 The Risk Register is reviewed by the Executive Directors on a 6-monthly basis. Any existing entries on the register are considered for changes to the nature of the risk, progress to be reported and any adjustments to the risk scores. Risks that are no longer relevant are removed and new risks considered in the context of current circumstances are added. The risk

reference numbers are not reallocated when risks are removed from the register, to enable the history to be maintained.

- 1.5 A summary of the changes to the Risk Register since the last monitoring report are detailed in section 2 below. Details of the 'Very High' risks are given in **Appendix 1** together with a list of the 'High' risks.
- 1.6 The full Risk Register, as agreed by Management Team, provided to members of the Audit Committee in hard copy for reference.

## **2.0 Changes to the Register**

2.1 The Risk Management Policy states that to '*ensure it is effective, risk management needs to be aligned with corporate aims, objectives and priorities*'. As such the format of the risk register has been re-ordered to reflect the Priorities as contained in the Corporate Business Plan. This makes the link between the Priorities and the management of associated risks clearer. The existing reference numbers have been retained (and are shown in brackets) for now so that the connection to the old style plan is maintained and new reference numbers allocated to reflect the revised layout.

2.2 Apart from updates on progress for various entries, the main changes since April 2016 are listed below.

### **2.3 Risks to be removed:**

One risk has been identified to be removed from the register:

#### 1.6 – Capital receipts

The risk was originally added to the register when the level of capital required for the regeneration programme determined the level of land sales. Since then, the approach has changed. The Capital and Property Investment Strategy is being adopted and forms part of the overall financial planning process.

### **2.4 New risks identified:**

One new risk is proposed to be added to the register:

#### 1.17 Channel Shift

This is a key project for the Council. Whilst work on implementing the customer facing aspect is progressing, the other element of achieving efficiency savings is partly dependent on One-Vu integration with back office systems. The risk is that these savings cannot be fully achieved if staff need to manually transfer data between One-Vu and the back office systems.

### **2.5 Risk Rating Amendments**

One risk score has been considered for amendment:

#### 2.5 Housing Market

In view of the current state of the housing market in London, and the potential for knock-on effects locally, the Likelihood has been increased

from 'Possible' to 'Likely'. This has increased the overall risk score from 6 to 8, but remains within the 'Medium' risk rating. Arrangements to create a housing company to manage private rented properties will be progressed.

### **3.0 Conclusion**

The Risk Register continues to be actively monitored by Senior Management on a regular basis.

**CORPORATE RISK MONITORING REPORT  
OCTOBER 2016**

<b>Risk name: Business Rates</b>	<b>Responsible Director: Assistant Director (s151 Officer)</b>

<b>Ref</b>	<b>Description</b>	<b>Mitigation</b>	<b>Progress</b>
1.16	<p>The risk is that:</p> <p>The financial plan may be adversely affected as a result of substantial events that affect the Business Rates due to the Council. Such events may be appeals being agreed leading to substantial Rateable Value reductions; reliefs being granted; failure to grow the business rate tax base or closure of a large business; and uncertainty relating to the 100% retention of Business Rates in future and the revaluation due in 2017.</p>	<p>Reserves created for measurable risks and membership of the Norfolk Business Rates Pool. Continue to monitor potential areas of risk and work with LGA where possible. Continue working with major businesses to reduce the possibility of closure.</p>	<p>Power station appeal against the 2005 list has been withdrawn although the 2010 appeal remains outstanding.</p> <p>Reserves have been created to protect against closure of major businesses and the position of major businesses continues to be monitored and proactively managed.</p> <p>The Council has responded to consultation on 100% retention arrangements and s151 Officer has attended workshops. Mandatory training has been provided for Members sitting on IDB Boards. The VOA list for 30/9/16 is largely neutral.</p>

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<b>Risk Score:</b>		
Impact	Extreme	5
Likelihood	Possible	3
Total score		15
<b>Risk Category</b>		Very High

**CORPORATE RISK MONITORING REPORT  
OCTOBER 2016**

<b>Risk name: 5-year Land Supply</b>	<b>Responsible Director: Environment and Planning</b>
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<b>Ref</b>	<b>Description</b>	<b>Mitigation</b>	<b>Progress</b>
2.4	The risk is that: 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.	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 Council currently has a 5-year plan. A Public Enquiry in May dismissed the appeal and confirmed the 5-year land supply. However this is the subject of a judicial review and more appeals have also been lodged against planning decisions.

<b>Risk Score:</b>		
Impact	Major	4
Likelihood	Almost certain	5
Total score		20
<b>Risk Category</b>		Very High



**Risks categorized as 'High Risk' (Score 10-12)**

- 1.1 – Fraud and Corruption
- 1.12 – Financial Plan
- 1.13 – VAT – Trust arrangements
- 1.14 – Land Charges
- 2.2 – Empty retail properties/ Town centre decline
- 2.3 – Major housing developments
- 2.6 – Major Planning Applications
- 3.1 – Emergency Response (External)
- 3.4 – Waste and Recycling Contract
- 3.5 – Health and Safety

**CORPORATE RISK MONITORING REPORT  
OCTOBER 2016**

<b>LIKELIHOOD</b>	5 Almost Certain	(5) (Green)	(10) (Orange)	(15) (Red)	(20) (Red) 2.4.	(25) (Red)
	4 Likely		(8) (Green)	(12) (Orange) 1.14.	(16) (Red)	(20) (Red)
	3 Possible		(6) (Green) 2.5.	(9) (Green) 1.2, 1.3, 1.5, 1.9, 3.3, 4.1, 6.1.	(12) (Orange) 1.6, 1.10, 1.12, 1.13, 2.2, 2.3, 2.6, 3.1, 3.5.	(15) (Red) 1.16,.
	2 Unlikely			(6) (Green) 1.7, 1.11, 1.14, 3.2.	(8) (Green) 1.1, 1.4, 1.8, 1.15, 2.1.	(10) (Orange) 3.4.
	1 Rare					(5) (Green)
		1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
		<b>IMPACT</b>				

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<b>Risk Category</b>	<b>How the Risk should be managed</b>
Very High Risk (15 – 25) (Red)	Immediate action required. Senior Management must be involved.
High Risk (10 – 12) (Orange)	Senior Management attention needed and management responsibility specified.
Medium Risk (5 – 9) (Green)	Manage by specific monitoring or response procedures. Responsibility to be allocated by Management Team to a named Service Manager.
Low Risk (1 – 4) (White)	Manage by routine procedures, unlikely to need specific or significant application of resources.

**CORPORATE RISK MONITORING REPORT  
OCTOBER 2016**

**APPENDIX 2**

**Likelihood**

<b>Score</b>	<b>Definition</b>
1 – Rare	The event may occur only in exceptional circumstances
2 – Unlikely	The event could, but is not expected to, occur
3 – Possible	The event might occur at some time
4 – Likely	The event will probably occur in most circumstances
5 – Almost Certain	The event is expected to occur in most circumstances

**Impact**

<b>Score</b>	<b>Impact on service</b>	<b>Personal safety</b>	<b>Financial loss</b>	<b>Legal and Regulatory</b>	<b>Corporate objective</b>	<b>Environmental impact</b>	<b>Reputation</b>
1 Insignificant	Little	No injury	<£25,000 or 1% of budget	Minor civil litigation or regulatory criticism	No effect on delivery	None or insignificant	No damage
2 Minor	Some	Minor injury	>£25,000 or >2.5% of budget	Minor regulatory enforcement	Little effect on delivery	Minor damage	Minimal damage (minimal coverage in local press)
3 Moderate	Significant	Violence or threat of serious injury	>£175,000 or >5% of budget	Major civil litigation and/or public enquiry	Possible impact on delivery	Moderate damage	Significant coverage in local press
4 Major	Service not available for 2-7 days	Extensive or multiple injuries	>£500,000 or >10% of budget	Major civil litigation and/or national public enquiry.	Significant impact on delivery	Major damage	Coverage in national press
5 Extreme	Service not available for >7 days	Fatality	>£1m or >15% of budget	Section 151 or government intervention or criminal charges	Non delivery	Significant damage locally or nationally	Requires resignation of Chief Exec, Exec Director or Leader

## AUDIT COMMITTEE WORK PROGRAMME 2016/2017

### 20 June 2016

- Revenue Outturn 2015/16
- Capital Programme and Resources 2015/19

### 11 July 2016

(5.30 pm – Training Session on Corporate Risk Register prior to formal meeting commencing at 6 pm)

- Internal Audit Annual Report and Opinion 2015/16
- Corporate Risk Monitoring Report April 2016
- Internal Audit Plan 2015/16 – End of Year Progress Report
- Annual Treasury Report

### 5 September 2016

(To commence at 5.00 pm – Training prior to considering the Final Accounts and Statement of Accounts)

- Monitoring Officer Report 2015/2016 – E Duncan
- Final Accounts and Statement of Accounts for year ended 31 March 2016 – Ernst and Young will be present for this item
- Annual Governance Statement
- Review of the Effectiveness of the Audit Committee
- Changes to arrangements for appointment of External Auditors

### 17 October 2016

(To commence at 5.00 pm – Training on the Role of the Audit Committee)

- Presentation on the Norfolk Pension Fund – Alex Younger, NCC
- Business Continuity Annual Update – D Robson

**28 November 2016**

**(To commence at 5.00 pm – Training on the Annual Governance Statement)**

- Update on the Annual Governance Statement
- Annual Audit Letter for year ended 31 March 2016
- Mid Year Treasury Report
- Audit and Fraud Half Year Progress Report
- Risk Register Update
- Financial Regulations Review

**13 February 2017**

**(To commence at 5.00 pm – Training on How an Audit is undertaken)**

- Treasury Management Strategy 2017/2018
- Strategic Internal Audit Plan
- Annual certification of Claims and Returns
- External Audit Plan