

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



Audit Committee

Agenda

Tuesday, 30th May, 2017
at 5.00 pm

in the

Card Room
Town Hall
Saturday Market Place
King's Lynn



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

19th May 2017

Dear Member

Audit Committee

You are invited to attend a meeting of the above-mentioned Panel which will be held on **Tuesday, 30th May, 2017 at 5.00 pm** in the **Card Room - Town Hall, Saturday Market Place, King's Lynn PE30 5DQ** to discuss the business shown below.

Yours sincerely

Chief Executive

AGENDA

1. **Appointment of Chairman for the Municipal Year 2017/2018**
2. **Appointment of Vice-Chairman for the Municipal Year 2017/2018**

3. **Apologies**

4. **Minutes** (Pages 6 - 11)

To approve the minutes from the Audit Committee held on 13 February 2017.

5. **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.

6. 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.

7. 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.

8. Chairman's Correspondence (if any)

9. Training - How to undertake an Audit

10. Draft Annual Governance Statement (Pages 12 - 35)

11. Corporate Risk Register Monitoring Report (Pages 36 - 43)

12. Internal Audit Annual Report and Opinion 2016/2017 (Pages 44 - 51)

13. Internal Audit Full Year Progress report 2016/2017 (Pages 52 - 60)

14. Audit Committee Effectiveness Report (Pages 61 - 79)

15. Committee Work Programme 2017/2018 (Pages 80 - 81)

To note the Committee's Work Programme for 2017/2018.

16. Date of Next Meeting

To note that the date of the next meeting of the Audit Committee will take place on Monday 19 June 2017.

To:

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

Portfolio Holders:

Councillor Hodson, Portfolio Holder for Systems and Economic Development
Councillor Long, Leader of the Council

Management Team Representatives:

Debbie Gates, Executive Director Head of Central & Community Services
Lorraine Gore, Assistant Director
Geoff Hall, Executive Director, Development and Environment
Ray Harding, Chief Executive

Appropriate Officers:

Vanessa Dunmall, Performance and Efficiency Manager
Kathy Woodward, Audit Manager

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

AUDIT COMMITTEE

Minutes from the Meeting of the Audit Committee held on Monday, 13th February, 2017 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, M Hopkins, P Kunes, C Manning, G Middleton and T Smith

Portfolio Holders:

Councillor B Long, Leader
Councillor A Lawrence, Portfolio Holder Housing and Community
Councillor I Devereux, Portfolio Holder Environment

Officers:

Lorraine Gore, Assistant Director
Toby Cowper, Group Accountant
Jo Stanton, Revenues and Benefits Manager
Kathy Woodward, Audit Manager
Sarah Arthurton, Senior Accountancy Technician

By Invitation:

Sappho Powell and Dan Cooke from Ernst & Young, External Auditors

The Committee held a minutes' silence for the late Councillor Ian Gourlay

A71 **APOLOGIES**

Apologies for absence were received from Councillors J Collop and T Tilbrook.

A72 **MINUTES**

The Minutes of the Audit Committee held on 28 November 2016 were agreed as a correct record and signed by the Chairman.

A73 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

A74 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

A75 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

A76 **CHAIRMAN'S CORRESPONDENCE (IF ANY)**

There was none.

A77 **MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS COMMITTEE RECOMMENDATIONS/REQUESTS**

None.

A78 **TREASURY MANAGEMENT TRAINING**

The Committee received a presentation from Chris Scott, Head of Public Sector Treasury Advisory Team (a copy of the presentation is attached to the minutes).

Chris Scott responded to questions from the Panel on the following:

- Disparity in borrowing v investment.
- Business Rates settlement.
- Potential future increase in interest rates.
- Council investments.

The Chairman, Councillor Pope thanked Chris Scott for the presentation.

A79 **TREASURY MANAGEMENT STRATEGY 2017/2018**

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

- Capital Plans, including Prudential Indicators.
- A Minimum Revenue (MRP) Policy.
- The Treasury Management Strategy.
- An Investment Strategy.

In response to a question regarding the Council's investments and credit ratings, the Group Accountant explained that if the credit rating was considered to be risky then the Council would immediately withdraw from short term investments. However, with long term investments the Council would remain tied in to a period. It was

highlighted that the Borough Council monitored its investments on a daily basis and diversified its cash whenever possible.

Following further questions on investment and why local authorities ratings were unlimited, the Group Accountant explained that local authorities received a high credit rating as it was unlikely a Council would become bankrupt and therefore posed no credit risk.

In response to a question on the period length of longer term loans, the Group Accountant explained that when the loans were taken out originally for a 70 year period (2007 – 2077), with a lenders option whereby the lender could choose to withdraw a loan after a 10 year period if it so wished or increased the interest rate and given the Borough Council the option to withdrawn.

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

Cabinet is asked to recommend to Council:

- 1) The Treasury Management Strategy 2017/2018, including treasury indicators for 2017/2021.
- 2) The Investment Strategy 2017/2018.
- 3) The Minimum Revenue Provision Policy 2017/2018.
- 4) Adopt the revised Treasury Management Practices (TMPs).

A80

EXTERNAL AUDIT PLAN

S Powell from Ernst & Young presented the Audit Plan for the year ending 31 March 2017. She explained that the purpose of the report was to provide the Committee with a basis to review Ernst & Young's proposed audit approach and scope for 2016/2017 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

The Committee was advised that the plan summarised Ernst & Young's initial assessment of the key risks during the development of an effective audit for the Council, and outlined their planned audit strategy in response to those risks.

Members' attention was drawn to the following sections of the Audit Plan:

- Financial Statement Risks – 3 significant risks: Non-Current Assets, Risk of Fraud in revenue recognition and Risk of management override.
- Other Financial Risks as detailed on page 73 of the Agenda.
- Value for Money Risks.
- Materiality.
- The External Audit Team.
- Timetable of Communication, Deliverables and Insights.

The Chairman, Councillor Pope thanked S Powell for the report and invited questions from the Committee.

There were no questions.

RESOLVED: That the Audit Plan be agreed.

A81

CERTIFICATION OF ANNUAL CLAIMS AND RETURNS ANNUAL REPORT 2015/2016

S Powell presented the report which summarised Ernst & Young's work on certification and assurance for the 2015/2016 claims.

The Committee was informed that one error had been detected during the audit.

S Powell explained that Ernst & Young had checked and certified the housing benefits subsidy claim with a total value of £40,213,082 and met the submission deadline. A qualification letter was issued to the Department of Work and Pensions (DWP) and it had been confirmed that there were no outstanding issues relating to the claim, details of which were included in section 1 of the report.

It was noted that for 2015/16 the level of error identified was lower than that identified in 2013/14. Ernst & Young were therefore proposing to reduce the fee by £1,046 to take account of the reduced amount of audit work that needed to be completed due to the reduction in errors found.

In response to questions regarding Universal Credit, S Powell explained that the proposed changes would take time to implement but would not take place in the foreseeable future. The Revenues and Benefits Manager outlined the changes and timescales for different categories of claimants, but reiterated that it would be several years before Universal Credit was fully in operation.

Councillor Manning commended the excellent work undertaken by officers in that only one error had been detected when dealing with over £40m housing benefits.

In response to questions on the only error found, S Powell explained that Ernst & Young undertook their work on a sample basis and explained that the reduction in fee was subject to PSAA agreement.

RESOLVED: The Certification of Claims and Returns Annual Report 2015/16.

A82

STRATEGIC INTERNAL AUDIT PLAN 2017/2022

On behalf of the Committee, the Chairman, Councillor Pope thanked Kate Littlewood, Audit Manager, who would shortly be retiring for her valuable work during her time at the Borough Council and wished her well for the future.

K Woodward passed Kate's thanks onto the Committee and was disappointed that she was not able to be present for her last meeting this evening.

K Woodward presented the Audit Plan for the forthcoming five years and which covered areas of the Council where it had been recommended that an audit be undertaken.

In response to a question regarding Appendix 1, K Woodward explained that the end column related to the number of days allocated to the audit. The number of days assigned to an audit was based on the risk rating.

It was noted that currently, there was a vacant post in the Internal Audit Team which was being recruited to, therefore some of the work identified in the proposed plan could be brought forward.

K Woodward undertook to circulate the information which had not been included with the table on page 107 of the report.

RESOLVED: The Committee acknowledged the Internal Audit resources and agreed with work planned for 2017/2022.

A83

REVIEW OF ANTI FRAUD AND ANTI-CORRUPTION STRATEGY, WHISTLEBLOWING POLICY AND FRAUD RESPONSE PLAN

K Woodward explained that there were no major policy changes in the three reports and undertook to circulate the documents which included the tracked changes to the Committee.

There were questions or comments from the Committee.

The Chairman, Councillor Pope thanked K Woodward for attending the meeting and that the Committee looked forward to receiving further reports from her at future meetings.

RESOLVED: The Committee agreed the changes to the Anti-Fraud suite of documents and recommend approval to of the revised documents to Cabinet.

A84 **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED: That under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 1, 2 and 3 of Part 1 of Schedule 12A to the Act.

A85 **EXEMPT REPORT: RISK BASE VERIFICATION POLICY UPDATE**

The Revenues and Benefits Management presented the report and responded to questions from the Committee.

RESOLVED: Members noted the Risk Based Verification (RBV) updates in the report.

RETURNED TO OPEN SESSION

A86 **COMMITTEE WORK PROGRAMME 2017/2018**

The Committee noted the Work Programme 2017/2018.

The Chairman, Councillor Pope informed the Committee that at the next meeting on 30 May 2017, a training session would be held "How an Audit is undertaken."

A87 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will take place on Tuesday 30 May 2017 at 5 pm.

The meeting closed at 6.40 pm

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

| | | | |
|-----------------|---|---|----|
| REPORT TO: | Audit Committee | | |
| DATE: | 30 May 2017 | | |
| TITLE: | Draft 2017 Annual Governance Statement – covering the 2016-17 year | | |
| TYPE OF REPORT: | Monitoring | | |
| PORTFOLIO(S): | Leader | | |
| REPORT AUTHOR: | Vanessa Dunmall, Performance & Efficiency Manager | | |
| OPEN/EXEMPT | Open | WILL BE SUBJECT TO A FUTURE CABINET REPORT: | No |

REPORT SUMMARY/COVER PAGE

| |
|---|
| <p>PURPOSE OF REPORT/SUMMARY:</p> <p>The Terms of Reference of the Audit Committee¹ state <i>“The main areas of responsibility for the Audit Committee will be to: ...</i></p> <p><i>b. Review the Council’s assurance statements, including the Annual Governance Statement (AGS), to check that it properly reflects the risk environment and any actions required to improve it.”</i></p> <p>This report brings the Council’s 2017 draft Annual Governance Statement (AGS) to the Committee to provide the opportunity for the Committee to review, challenge and provide input prior to the AGS being finalised which will be brought to the Committee in July 2017.</p> <p>The preparation and publication of an Annual Governance Statement (AGS) is a statutory requirement². The AGS is a public statement that describes and evaluates the Council’s overall governance arrangements, in particular how it has complied with its Code of Corporate Governance during a particular financial year. The draft Statement is attached at Appendix A.</p> |
| <p>KEY ISSUES:</p> <ol style="list-style-type: none"> 1. CIPFA³ issue guidance and a template to aid authorities in their work on their AGS; this is used as a framework, but the document is written with fresh content each year. 2. Section 7 refers to the draft Action Plan devised for the 2017/18 year (shown on the final page of the document) 3. Input has been gathered from Executive Directors, Service Managers and Internal Audit to date for the draft statement 4. External Audit will review the final version prior to the final version coming to the Audit Committee in July 2017. |
| <p>OPTIONS CONSIDERED:</p> <p>Options do not apply; the Council must prepare, approve and publish a statement.</p> |
| <p>RECOMMENDATIONS:</p> <p>The Committee is invited to</p> <ol style="list-style-type: none"> 1. Review the draft 2017 Annual Governance Statement (as attached) and determine whether the work undertaken to review the governance arrangements in place during |

¹ As agreed by Full Council in June 2016

² Accounts and Audit Regulations 2015, regulation 6(1)

³ Chartered Institute of Public Finance and Accountancy

- the 2016/17 year is appropriate and whether there are any gaps
2. Determine any additional actions the Committee would like to be taken to inform the final version of the document which will be brought to the Committee in July 2017.

REASONS FOR RECOMMENDATIONS:

In order to ensure that the Audit Committee have the opportunity to review, challenge and provide input prior to the AGS being finalised and brought to the Committee for approval in July 2017.

REPORT DETAIL

1. Introduction

1.1 The Council's Local Code of Corporate Governance sets out six core principles of good governance that focus on the systems and processes for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. These core principles include:

- Focusing on the purpose of the Council
- Roles and responsibilities of members and officers
- Standards of conduct and behaviour
- Decision making, scrutiny and risk management
- Developing capacity and capability of members and officers
- Engaging with local people and stakeholders

1.2 The extent to which the Council adheres to these principles is described in the Annual Governance Statement.

1.3 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.

2. The Draft Statement

2.1 The Draft Statement has been produced in accordance with relevant professional guidance and good practice and a comprehensive review has taken place to ensure that the suggested areas are all included in the Council's AGS for 2016/17.

2.2 As the statement is being brought to the Audit Committee at an earlier stage than in previous years, it is impossible to enter all information and dates. The missing information is highlighted in a blue highlight.

2.3 Sections 1 and 2 are broadly the same as last year, these are 'introductory sections'.

2.4 Section 3 is the main body of the document and uses the CIPFA guidance as headings, the content has been updated to reflect practices during the year under review.

- 2.5 Section 4 contains information based on standard reports and events that inform the Review of Effectiveness.
- 2.6 Section 5 was new last year and has been retained as it is felt that it draws attention to the 'Areas of special interest in terms of governance' that the Council has in place.
- 2.7 Section 6 was also a new addition last year. This section covers 'Known Changes in the 2016/17 year'.
- 2.8 Section 7 refers to the Action Plan devised for the 2017/18 year (shown on the final page of the document)
- 2.9 The production of the draft statement, and the consultation process, has involved input from Service Managers and Executive Directors. In particular, input has been obtained at this stage from the Audit Manager, the S151 Officer, the Democratic Services Manager, the ICT Manager, the Housing Services Manager and the Chief Operating Officer of Alive Management Ltd.

3. Issues for the Panel to Consider

- 3.1 The following areas have been identified as things the Committee may wish to consider:
- i. Does the AGS cover all areas of our operations?
 - ii. Is it meaningful, easy to read and underpinned by robust evidence?
 - iii. Does it accurately reflect our control structure and a sense of its risks, vulnerabilities and resilience to challenges?
 - iv. Has compliance with the Code of Corporate Governance been assessed and have any departures from it been disclosed and explained?

4.0 Corporate Priorities

Not applicable, statutory requirement

5.0 Policy Implications

None

6.0 Financial Implications

None

7.0 Personnel Implications

None

8.0 Statutory Considerations

- 8.1 The adoption of the Annual Governance Statement will be required in July 2017 to comply with the Accounts and Audit Regulations.

9.0 Equality Opportunity Considerations

None

10.0 Risk Management Implications

- 10.1 The Annual Governance Statement forms part of the Council's risk management process and will provide reasonable assurance once adopted in July 2017 (as defined in section 8 of the AGS itself) that the Council is complying with the adopted Code of Corporate Governance.
- 10.2 The Audit Committee is having input at a draft stage for the first time to assist in maintaining an effective approach to producing the AGS. If this approach is not taken, it may lead to the Council being
- unable to meet its statutory duty
 - unable to demonstrate it has effective corporate governance arrangements in place
 - open to criticism from external audit.

11.0 Recommendations

The Committee is invited to

1. Review the **draft** 2017 Annual Governance Statement (as attached) and determine whether the work undertaken to review the governance arrangements in place during the 2016/17 year is appropriate and whether there are any gaps
2. Determine any additional actions the Committee would like to be taken to inform the final version of the document which will be brought to the Committee in July 2017.

12.0 Declarations of Interest / Dispensations Granted

None

Background Papers

CIPFA/SOLACE Framework including Guidance Notes and Addendum

Cabinet / Panel agendas

Code of Corporate Governance

Various policies, strategies, procedures



Annual Governance Statement

2017

Covers the 2016/17 year

Draft statement as at 21 April. Text highlighted in blue means it's future information that I cannot yet add

1. Scope of responsibility

The Borough Council of King's Lynn and West Norfolk is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a statutory duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of the above.

The Council has a Code of Corporate Governance in place which sets out how the Council intend to apply the principles of corporate governance, in accordance with 'Delivering Good Governance' within the Local Government CIPFA/ SOLACE Framework. A copy of the code is on our website at www.west-norfolk.gov.uk. The code was reviewed during 2014/15 and the update was approved by Council in March 2015.

This Annual Governance Statement explains how this Council has complied with the code and also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1) which requires all relevant bodies to conduct a review of the effectiveness of the system of internal control and prepare a statement.

2. The purpose of the governance framework

The governance framework comprises the systems, policies, procedures and operations by which the authority is directed and controlled, and its activities through which it accounts to, engages with and, where appropriate, leads its communities. It enables the authority to monitor the achievement of its strategic objectives and outcomes and to consider whether those objectives have led to delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to

- identify and prioritise the principal risks to the achievement of the Council's policies, agreed priorities and objectives
- evaluate the likelihood and potential impact of those risks being realised
- manage them efficiently, effectively and economically.

The governance framework has been in place at the Borough Council of King's Lynn and West Norfolk for the year ended 31 March 2017 and remains in place to date.

3. The governance framework

The Council's governance framework is made up of the many systems, policies, procedures and operations we have in place to do the following:

3.1 Publish our aims for local people and others who use our services

The Council publishes a Corporate Business Plan which sets out the broad framework for the Council's aims for the period covered by the plan. The Corporate Business Plan currently in place was agreed by Council in January 2016.

The plan outlines six priority aims, supported by 18 objectives in areas of key importance to the authority. The six priority aims within the new plan are

1. Provide important local services within our available resources
2. Drive local economic and housing growth
3. Work with our communities to ensure they remain clean and safe
4. Celebrate our local heritage and culture
5. Stand up for local interests within our region
6. Work with our partners on important services for the borough

The Corporate Business Plan is aligned with the Council's Financial Plan and both documents are available on the Council's website in order to be clear and transparent to local people and service users.

In March 2016 the Council published a new Local Development Scheme which provides information on the documents that make up the Council's Local Plan (in relation to Planning) and also provides a timetable for the Local Plan production and the Local Plan Review.

The scheme provides details of documents we intend to prepare over the period 2017-2019.

3.2 Review our aims and the implications on our governance arrangements

The Council has a Code of Corporate Governance in place, which sets out how the Council intends to apply the principles of corporate governance, in accordance with CIPFA/SOLACE guidance. The Code includes a chart to demonstrate the different parts of the framework and reflects the Council's current processes and procedures. The Code will be reviewed every three years to reflect any changes in the Council's governance framework and/or any revised guidance. The next review is due in the 2017/18 year.

Progress towards achieving the aims outlined in the Council's Corporate Business Plan was monitored through the Corporate Business Plan Monitoring Report which was collated quarterly during 2016/17. Updates at the end of quarters 2 and 4 were taken to the Corporate Performance Panel for review and progress checking. As part of collating and reviewing the monitoring report, the council's senior management team consider and review the aims, actions underway and progress made. The governance arrangements in place for the year under review were appropriate for delivery of our aims.

3.3 Measure the quality of our services, make sure we provide them in line with our aims and that they provide value for money

The Council has a Performance Management Framework which is, in effect, a summary of the key internal processes and components through which the Council sets, delivers, monitors and reports on its priorities and services. The Framework encompasses elements of strategy, finance, performance, people, risk management and reporting and accountability. The Framework describes how the Council measures and monitors the performance of our services and is available on the Council's website. The Framework was refreshed during the 2016/17 year to ensure it reflects current arrangements.

3.4 Define and document the roles and responsibilities of the executive, non-executive, scrutiny and officer functions

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures to be followed to ensure that these are efficient, transparent and accountable to local people. This defines, amongst other things the roles of the Council, Cabinet, how scrutiny and overview is undertaken, the Scheme of Delegation, and the roles and

responsibilities of officers and members. The different elements of the Constitution are subject to periodic change either through national legislation or local decision. In the 2016/17 year, the Council's Scheme of Delegation was updated in May 2016 and January 2017.

Within the Constitution, full Council sets the overall budget and policy framework of the Council, while Cabinet makes decisions within this framework, and is held to account by the overview and scrutiny arrangements. Meetings are open to the public except where exempt or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority. The Council publishes a Forward Decision List which contains details of key decisions to be made by the Council, its bodies and Executive Directors under their delegated powers.

Following work undertaken during the preceding two years, in April 2016 Council agreed changes to the scrutiny arrangements of the authority. Then changes were made to seek to make the roles and functions of the Council's policy development and scrutiny panels more effective, thereby enhancing the good governance of the Council. A particular anticipated outcome was for panels to seek to add value to the Council's aims and outcomes through review and development of policies / projects / initiatives at an earlier stage. Full details of the changes put in place are contained within the Cabinet report presented to the meeting on 5 April 2016; as an overview:

- The Cabinet Scrutiny Committee and Scrutiny and Overview Liaison Committee were abolished
- The Audit Committee was de-coupled from the Resources and Performance Panel and the responsibility for approving the annual Statement of Accounts and the Annual Governance Statement were transferred from Cabinet to the Audit Committee
- The Resources and Performance Panel was renamed as the Corporate Performance Panel and its terms of reference were extended, this now includes scrutiny of Cabinet decisions
- Cabinet, Council and Panels moved to a six-weekly cycle of meetings
- Changes were also made to
 - the Terms of Reference for all Panels
 - election of chair and vice chair for panels
 - the recording of meetings

All changes have been operating during the 2016/17 year. A member task group is due to meet for the first time in June 2017 and will undertake a review of the changes made. All changes made were fully defined and documented within the constitution documents.

3.5 Develop, communicate and embed codes of conduct which define the standards of behaviour for members and staff

The Council has in place key documents which communicate the standards of behaviour required of members and all council staff (officers). These include the

- Members Code of Conduct
- Register of Disclosable Pecuniary Interests
- Members Code of Good Practice for Planning
- Protocol for Member/Officer Relations
- Employee Handbook (includes employee code of conduct)
- Anti-Fraud and Anti-Corruption Strategy

- Whistleblowing Policy
- Fraud Response Plan
- Disciplinary / Grievance procedures
- ICT Asset Management Policy
- ICT Computer Usage Policy
- ICT Security Policy
- Data Quality Policy & Strategy
- ICT Corporate Email Policy
- ICT Corporate Internet Policy

The Anti-Fraud and Anti-Corruption Strategy and the Whistleblowing Policy have been updated during the 2016/17 year.

The five ICT related policies are reviewed annually and refreshed when appropriate to ensure they are in line with the latest ICT technology advancements and information security guidelines. Keeping information securely is vital for public confidence and the efficient conduct of business. The last actual updates were in 2015/16, the review in 2016/17 did not result in any updates being needed.

The Baseline Personnel Security Standard (a new requirement in 2014/15) is now standard practice within the Council's recruitment and appointment processes, to ensure that employees who access information held on the Public Services Network (PSN) meet a minimum baseline standard of security checks. It is a pre-appointment check which aims to ensure the Council employs people who are entitled to work in the UK and who have the honesty, integrity and values needed.

The Performance Management Framework also describes how staff performance, including conduct, is managed; this document has been refreshed during the 2016/17 year.

The Council also has a Harassment Procedure in place for staff, which demonstrates the belief that all employees have a right to be treated with dignity and respect, and that the Council will take steps to ensure this right is protected. All policies are available to all staff and Councillors via the Council's Intranet.

3.6 Review the effectiveness of the decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

Effective management is based on a framework of regular management information, financial regulations, standing orders and a structure of varying levels of responsibility, including arrangements for delegating decision making. The Council has all these elements in place, including those which meet 'The Openness of Local Government Bodies Regulations 2014', and we regularly review them to ensure they remain relevant and fit for purpose. Decisions are made in open, public meetings, or via the various delegation arrangements in place and all adhere to the policy position in place – for example, Planning decisions are taken with regard to the adopted Local Plan and all other relevant guidance.

The Council works in partnership at many different levels. Continued participation is reviewed regularly to ensure it remains effective. Decision making in partnerships is governed by the structure outlined within the constitution. As one example, the Norfolk Coast Partnership (a formal partnership with Great Yarmouth Borough Council, North Norfolk District Council, DEFRA and Norfolk County Council) has in place a 'Memorandum of Agreement' which was renewed in April 2015 and runs for 3 years. This outlines how decisions will be made within the partnership.

The Council has a Data Quality Policy and Strategy in place and available on its website. Having this in place shows that the Council understands the importance of data quality and is

committed to being consistent in its management of data quality within the organisation and in partnership with others. It also means that the Council ensures that the data produced adheres to the 7 principles of data quality. The Policy was reviewed, and the Strategy was refreshed during the 2016/17 year¹. Training is planned for the 2017/18 year for officers who collect data used for corporate performance measures to support the application of the strategy.

3.7 Ensure the framework for identifying and managing risks, and for developing counter-fraud and anti-corruption arrangements are effective and well-maintained

The Council has a Risk Management Policy and Strategy in place. The authority's risk appetite is formally recognised within the Policy, and the Strategy provides a means of escalating risks from service and project level to the Corporate Risk register if necessary. The Corporate Risk Register is reviewed regularly by the Council's Executive Directors and the Audit Committee receives reports on a half-yearly basis on the position of the register. During the 2016/17 year the responsibility for collation of the Risk Register on behalf of the Senior Management Team was moved to the Policy, Performance and Personnel team. This change has strengthened the arrangements in place and provides additional resilience. In line with good practice, risk management continues to be closely linked to the achievement of the Council's objectives.

During 2016/17 the Council's Anti-Fraud and Anti-Corruption Strategy, which details the approach to its arrangements, has been reviewed and updated². The Strategy covers the roles of elected Members, employees and managers (including contractors and agents), the Internal Audit and Fraud team and External Audit.

The Council investigates fraud relating to Council Tax and Business Rates payments, and also deals with National Fraud Initiative work. Responsibility for investigating benefit fraud transferred to the Department for Work and Pensions in 2015 and a referral system is in place between the Council and the DWP if fraud is suspected in respect of housing benefit and / or council tax support.

3.8 Ensure effective management of change and transformation

Over recent years the Council has adopted a policy of seeking efficiencies and different ways of delivering services producing significant levels of savings. The savings achieved have been the result of considerable change and transformation. In October 2016 the Council published an 'Efficiency plan'³ in order to fix a four-year financial settlement from the Government and work continues within all Directorates to produce the changes required to deliver the savings identified, before 2020/21. Executive Directors and all Service Managers are directly involved in monitoring the work being completed and savings achieved are reported in the monthly budget monitoring reports. Where savings are achieved in advance of 2020/21 these will be transferred to reserves to fund investment in major capital projects which will provide future revenue income.

One of the corporate priorities is to deliver our 'channel-shift' programme. The key document for delivery is the 'Switched On' Transformation Plan which was refreshed during the 2016/17 year to keep account of elements that were delivered. The plan sets out how the

¹ Presented to Cabinet in February 2017

² Presented to Cabinet in February 2017

³ https://www.west-norfolk.gov.uk/info/20160/budgets_and_spending/511/efficiency_plan_2016-2020

authority is approaching service transformation, and introducing improved digital services across the organisation and is underpinned by communications and training plans to support employees through the changes required, equipping them with the skills they will need to implement new ways of working.

The council's shift towards digital services progressed well during 2016/17 and a new website was launched in July 2016. This was a key part of the channel shift programme, and provides the foundation for much of the work planned in this area over the remaining life of the Corporate Business Plan. The new website is fully responsive and works well across a wide range of devices such as tablets and mobile phones. Feedback received on the change and how the change was managed was positive from both external customers and internal staff. During the year, new online forms were introduced for

- Benefit change in circumstances
- Council tax home movers
- Applications for council tax discounts and exemptions
- Most Environmental Health services including waste and street cleansing
- Applications to the Housing Register

Take up of the new forms has been high with over 13,000 forms completed by customers since they went live. High levels of take up demonstrate the ease of use and benefit that being able to complete forms at a time convenient to the customer, has brought. Benefit forms integrate directly with our back office system and we will be carrying out further work in 2017/18 to integrate the revenues and environmental health forms into the respective back office systems.

During the year under review, the council has also launched a new 'Web Chat' function which allows customers browsing its website to chat directly to a customer services advisor if they have any questions. An average of 30 chats a day are taking place and the data collected from the chats is being used to improve the information on the Council's website.

In February 2017, the council launched its 'My Account' service. Customers are able to create accounts from which they can register for personalised data such as council tax and benefit information, find information via a variety of Frequently Asked Questions and submit and track requests for service. The system also enables them to upload documents to support their service request. To date, 3,208 accounts have been opened by customers.

The council is also encouraging take up of digital services by providing assisted self-service facilities supported by Online Support Officers. It is hoped that this will help and encourage customers to self-serve themselves when they next need a council service.

The changes outlined above are bringing large-scale changes to the way the Council operates and as mentioned, are a key corporate priority. To ensure the continued successful management of these changes, a staff survey on digital skills will be completed in early 2017/18 to help develop training plans.

The Council's Performance Management Framework outlines how the corporate priorities, including channel shift and the associated transformations, translate into targets for staff.

3.9 Ensure the authority's financial management arrangements conform to the governance requirements of the CIPFA statement on the 'Role of the Chief Financial Officer in Local Government'. Where they do not, explain why and how they deliver the same impact

The CIPFA statement describes the roles and responsibilities of the Chief Financial Officer, who is bound by both professional standards and also legislative responsibilities, with a fiduciary duty to the local taxpayer.

The Council's arrangements fully comply with the principles described: the Chief Financial Officer reports directly to the Chief Executive, and is a member of the senior management team (called the Leadership Team in the CIPFA statement). Additionally during the 2016/17 year, the postholder's role title was re-designated as Executive Director, Finance Services and to strengthen our arrangements, a senior member of the Financial Services team was appointed as Deputy Section 151 Officer.

3.10 *Ensure the authority's arrangements conform to the governance requirements of the CIPFA statement on the 'Role of the Head of Internal Audit'. Where they do not, explain why and how they deliver the same impact*

The role referred to by CIPFA as the Head of Internal Audit has a critical role in delivering the organisation's strategic aims by championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments; and giving an objective and evidence based opinion on all aspects of governance, risk management and internal control.

The arrangements in place for 2016/17 conformed to the requirements outlined in the above statement.

During the year, planning also took place to move to a shared arrangement with Fenland District Council to manage the Internal Audit team with effect from 1 April 2017⁴. A handover period has been in place since November 2016 to assist the change and a Section 113 agreement is in place to underpin the arrangement.⁵ These arrangements have been entered into in order to provide a cost saving to the authority, whilst at the same time continuing to provide an effective internal audit function through a different model of delivery.

3.11 *Ensure effective arrangements are in place for the discharge of the Monitoring Officer and Head of Paid Service functions*

The Council employs a Monitoring Officer who is responsible for ensuring compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service, the Monitoring Officer will report to full Council if it is considered that any proposal, decision or omission would give rise to unlawfulness or maladministration. In addition, the Monitoring Officer takes a report annually to the Audit Committee covering the areas of responsibility.

The Chief Executive is the Council's Head of Paid Service and has overall responsibility for the management and co-ordination of the employees appointed by the Council. The Chief Executive is required to report to the Council as appropriate with regard to the way in which the different functions of the Council are co-ordinated, the number and grades of staff required for the discharge of these functions, the way in which these people are organised and managed and the way in which they are appointed.

Effective arrangements are in place for the discharge of both roles.

3.12 *Carry out the main functions of an Audit Committee, as identified in CIPFA's 'Audit Committees: Practical Guidance for Local Authorities'*

⁴ Cabinet report August 2016

⁵ Section 113 of the Local Government Act 1972

The Council has an Audit Committee in place; as outlined in section 3.4, from April 2016 this Committee has been 'standalone' which it is believed provides increased opportunity for effective assurance about the adequacy of financial and operational management and reporting.

The Terms of Reference of the Audit Committee were reviewed and amended in the 2016/17 year. As part of the review, the Committee was given responsibility for approval of the Council's Statement of Accounts and the Annual Governance Statement.

A substantial amount of training has been provided during 2016/17 to the members of the Audit Committee in key areas. Examples include training on Treasury Management, the role of the Audit Committee and a briefing on the processes undertaken to carry out the review for the preparation of the Annual Governance Statement.

Each year, a review is undertaken of the effectiveness of the Audit Committee. For the year covered by this statement, the review was presented to the Audit Committee on 30 May 2017. The review concluded that the Committee is continuing to perform effectively and the Council is meeting its requirements under the Accounts and Audit Regulations 2015.

3.13 Ensure compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is legal

The Council's Constitution provides a comprehensive framework for the management of the authority's business and ensures compliance with relevant laws, regulations, internal policies, codes of practice and procedures. The Council is the statutory body for many laws and the range of policies and codes of practice we have in place help to ensure compliance. Policy Review and Development Panels assist Cabinet and Council to ensure that compliance is considered where appropriate; report templates for those panels and for Cabinet ensure all elements are given consideration at the time the report is presented. Statutory Officers – Head of Paid Service, Monitoring Officer and Chief Financial Officer – are in post to monitor and ensure adherence.

All initiatives undertaken, including those with financial elements, are either progressed due to being a statutory requirement or because it will contribute to a key aim of the Council. All initiatives are reviewed by regular meetings of the Management Team and senior managers in order to ensure compliance and that spend is legal.

Other arrangements are in place to ensure compliance with relevant policies and to ensure that expenditure is legal. One example is the ICT Development Group; a small group which for the 2016/17 year consisted of the Portfolio Holder, a second Cabinet Member, the Executive Director and the ICT Manager. The group manages the ICT capital budgets, reviews all new proposed ICT developments and keeps up to date with pertinent legislation. Officers write a report to the group outlining their business case and decisions are taken on spend to ensure that it complies with the Council's priorities. The group monitors project delivery and items are recorded via agendas and minutes. A Terms of Reference was adopted during the 2016/17 year to ensure the remit of the group was clear.

The Council remained 'Payment Card Industry (PCI) Compliant' in 2016/17; this is an increasingly important regulation in light of the Council's move towards more digital services and the public's reduced use of cheques. Compliance is judged in two ways – via an on-site audit, and through quarterly scans on behalf of the banks to try to find any vulnerability.

During the 2016/17 year the Council's Financial Regulations were updated⁶. Contract Standing Orders, another key document in respect of contracts for the supply of goods and services or for the execution of works, were updated in the 2015/16 year.

A Budget Monitoring Report is produced and provided to all Councillors on a monthly basis to ensure timely information is available on the Council's financial position. These changes are formally approved by Cabinet in December each year in order to form the base on which the new Financial Plan is then formulated. The report for the 2016/17 year was taken on 6 December 2016.

During the 2016/17 year, the Capital and Local Property Investment Fund Strategy was adopted.⁷ This strategy, supported by a number of other documents, provides the rationale for any capital spending and property investment plans. It provides a framework for the delivery of the capital programme and ensures that capital investment is directed to the Council's Corporate Priorities and helps achieve the Financial Sustainability Plan.

In January 2017, Full Council⁸ formally adopted the Community Infrastructure Levy (CIL) Charging Schedule, which came into effect on 15 February 2016. CIL is the Government's chosen approach to set a mandatory tariff on development and applies to relevant planning decisions made from that date. CIL means funds will be raised from new development in the Borough. The funds received will contribute towards funding improvement to infrastructure (facilities and services) required to support the development and growth planned for the borough.

Additionally, to ensure that senior members are kept abreast of relevant matters in a timely manner, the Chief Executive (or another representative from Management Team) meet weekly with the Leader of the Council. During the 2016/17 year the Council had a change of Deputy Leader; during 2016 monthly meetings were held with the Leader and then Deputy Leader; during the 2017 part of the financial year, the new Deputy Leader attended the weekly meetings and this arrangement continues.

3.14 Ensure arrangements are in place for whistleblowing and receiving and investigating complaints from the public

The Council has a Whistleblowing Policy in place, produced in accordance with the provisions of the Public Interest Disclosure Act 1998. This policy is available to all staff and members on the Council's Intranet and was updated during the 2016/17 year.

The Council has a Corporate Complaints procedure in place, available on the Council website. The Council also deals with any incidents of racial complaints, or complaints relating to a disability, in a similar but separate process. The complaints received are analysed and results presented to the Corporate Performance Panel on an annual basis.

3.15 Identify development needs of members and senior officers in relation to their strategic roles, supported by effective training

The Council provides a comprehensive programme of learning and development to officers and members. Learning and development needs for staff are identified through the performance management process and in response to organisation/service level needs and these are translated into an annual training programme. The Council has a commitment to management training and delivers a range of development activities to support managers at

⁶ Council January 2017

⁷ Council February 2017

⁸ Council January 2017

all levels, including specific training to support the development of Service Managers; a group of existing Services Managers are currently undertaking a Level 7 management programme which commenced during the 2016/17 year and a number of one off 'Extended Management Team Development Sessions' have been arranged to ensure Service Managers are kept up- to-date on current issues. Senior Officers also participate in relevant sessions relating to changing technical requirements to ensure the up to date position is known and to feed in to relevant central government departments at appropriate times; examples are attendance at Efficiency Plan preparation sessions, Cabinet Office briefing, Electoral Commission meetings and 100% Business Rates Retention sessions.

Member's development needs are identified through use of a questionnaire following their election, and are also identified during the year as matters arise at meetings and questions of training needs arise. Particular emphasis has been given to ICT training for Councillors during the 2016/17 year to continue to support the ongoing change to paperless agendas for the majority of meetings and other changes such as electronic expenses claims, which went live in April 2016. Feedback forms following any training undertaken continue to be used to develop training in areas where further needs have been identified. Plans are in place for an additional training needs analysis to take place during the 2017/18 year to ensure members training needs are being met.

The Policy Review and Development Panels regularly receive updates on relevant topics as part of their agenda, particularly around any new or current initiatives, and training is run throughout the year as identified. Topics for updates or training are identified either by officers or members and helps to ensure members are better informed and have input at an early stage. The Audit Committee have received specific briefings / training throughout the year due to the Committee's updated remit.

Briefings are offered to members prior to virtually every Full Council meeting on a wide range of topics; topics covered in the year under review have included Devolution and the work of the Boundary Commission for England. Members have also had the opportunity to tour the Town Hall following completed development work.

3.16 Establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The Council welcomes views from the public and community as part of the constitutional process. These views are considered through formal and informal consultation processes. Examples of consultations undertaken with the public in 2016/17 are: the Statement of Community Involvement; the Riverfront Regeneration Scheme; the Guildhall Complex; and further sites within the Major Housing development at the Lynnsport site – known as Lynnsport 4 & 5. For the annual consultation on the local Council Tax Scheme during the year under review, we tried a new approach, utilising Borough Councillors and Parish Councils, asking them to engage with their constituents to provide opinions. Members of the public are also able to ask questions on a topic or service within the Council's control at Full Council meetings.

A King's Lynn Area Consultative Committee is in place, the Committee's Terms of Reference state that the Committee is to act as a consultative forum and to encourage community engagement within King's Lynn itself. The Committee has formal agreement from Council to operate until April 2019.

There is an expectation from the majority of Parish Councils in the Borough for the relevant Borough Councillor(s) to attend most, if not all, of their meetings; this assists with maintaining effective communication with Parish Councils and therefore the communities that they serve.

The Council uses social media corporately to communicate and engage with the community, particularly Twitter which is used to great effect for times such as the Borough Council elections, and You Tube has been used during the 2016/17 year for things such as a film of the installation of the King John statue, as part of a campaign called 'Respect your Taxi Driver' and as part of the promotion of the Council's new secure online account service 'My Account'. Social media is used for specific events, such as the Hanse Festival, and the Town Hall has its own Twitter and Facebook accounts to help engage with potential customers and promote the venue. Results of all methods of communication are fed back into service delivery, ensuring accountability. The Council also monitors feedback from residents and service users through compliments and complaints received.

During 2016/17 the Council has complied with the requirements of the Local Government Transparency Code 2014. The Code makes it a legal requirement for local authorities to publish specified data by prescribed deadlines and thereafter annually. The Council publishes all specified data on its website, in the prescribed format, by the required deadline. This makes a direct line to the requirement to establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

3.17 Incorporate good governance arrangements in respect of partnerships and other joint working and reflect these in the authority's overall governance arrangements

The Council participates in a range of joint working arrangements with other bodies, some of which are more significant than others in terms of the potential for a detrimental impact on the Council should the partnership fail. Some arrangements are formal, and are a way to deliver the Council's duties and obligations, such as CNC Building Control and the newly in place shared audit management with Fenland District Council. These arrangements are subject to formal governance arrangements and include processes for reviewing the delivery of benefits, and arrangements for termination should the arrangement not be serving the purpose for which it was created.

Other partnerships are of a contractual nature, such as delivery of the Council's payroll processing. These partnerships are also subject to formal governance arrangements, are reviewed regularly, deliver benefits to the Council such as additional income, provide good value for money for the receiving organisation as the Council maximises its own existing infrastructure, but are not delivering our own statutory obligations.

The Council also continues to participate in an informal, collaborative partnership with local partners via the West Norfolk Partnership Strategy Group. The strategy group agrees priority issues which will benefit from a combined and coordinated response from partners. The Strategy Group have agreed updated Terms of Reference in March 2017.

The Council is mindful of the financial and reputational risks that can arise through entering into joint working and collaborative arrangements. It therefore actively supports open and transparent arrangements in all its partnership working.

3.18 Appendix A

The table at Appendix A demonstrates how the core and supporting principles of corporate governance, as detailed in the Council's adopted Code of Corporate Governance have been upheld during the 2016/17 year.

4. Review of effectiveness

The Council has a responsibility to review the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Internal Audit and the senior managers within the authority who have responsibility for the development and maintenance of the governance environment, the Audit Manager's annual report, the Monitoring Officer's Annual Report and also by comments made by the external auditors and other review agencies and inspectorates, where undertaken.

The process of maintaining and reviewing the effectiveness of the system of internal control includes the following measures and actions:

- The Audit Committee has oversight of the activities of the Council's internal and external audit functions. Members of the Audit Committee are provided with copies of all reports produced by Internal Audit and the external auditors, and also receive regular reports on matters relating to finance, fraud investigation and risk management. The Committee approves the annual plans for Internal and External Audit, and receives regular progress reports throughout the year. The Audit Manager submits to the Committee an Annual Report and Opinion, and the external auditors submit an Annual Audit letter. The Audit Manager has included an audit opinion on the adequacy and effectiveness of the council's systems of internal control in the Annual Report and Opinion on work completed during 2016/17 which went before the Audit Committee on 30 May 2017. The report states that in the Audit Manager's opinion, the Council's control arrangements were adequate and effective in 2016-17, with sound controls in all key areas.
- The Audit Manager has also completed a review of the effectiveness of the Audit Committee itself. The result was reported to the Audit Committee on 30 May 2017 and concluded that the Committee is continuing to perform effectively and the Council is meeting its requirements under the Accounts and Audit Regulations 2015.
- During 2016/17 Internal Audit has issued three reports with a 'Limited Assurance' rating. In one case it was first time this subject had been audited and there were a number of issues to deal with in order to establish an efficient and effective system to carry out the work. A plan of action has been agreed with Management Team and is being implemented satisfactorily. In the second, key personnel had left the Council. This has now been addressed and improvements are being made. The final one concerns responsibilities that have been moved to a new post and the processes are being put in place to administer the work more closely. There were no instances of 'No Assurance' reports being issued.
- The Council's external auditors review the activities of the Council, approve the annual accounts and certify grant claims (where required). Conclusions and significant issues arising are detailed in various reports from the auditors. Their 'Audit Results Report – ISA (UK and Ireland) 260' went before the Audit Committee on 5 September 2016 and the Annual Audit Letter went before the Audit Committee on 28 November 2016. **These reports from the external auditors refer to the 2015/16 financial year (the latest available)** and they confirmed that the Council had put in place proper arrangements to

secure value for money in its use of resources, and that the financial statements gave a true and fair view of the financial position of the Council as at 31 March 2016.

- A Member / Officer protocol is in place and forms part of the Council's constitution.
- The Monitoring Officer issued an Annual Report covering the 2016/17 year which went before the Audit Committee on **DUE IN JULY 2017** and provides an overall opinion on the adequacy and effectiveness of the Governance framework. The report stated **that ???**
ADD DETAIL HERE
- Additionally, it is the responsibility of the statutory officers to report to Council on any issues concerning the review of the effectiveness of internal control arrangements. There have been no issues arising during 2016/17 which have required the full Council to exercise its role.

In summary, a review of arrangements for the 2016/17 year has been undertaken; the review has not highlighted any issues as significant weaknesses in governance or internal control during the year. The arrangements outlined above are in place and operating as planned.

5. Areas of special interest in terms of governance

Leisure arrangements

- 5.1 The Council's leisure and arts facilities have been operated and managed through an independent Trust and wholly owned Local Authority Company since 1 September 2014. Full details of the arrangements in place are contained within the Council's 2016 Annual Governance Statement (covering the 2015/16 year) and are therefore not repeated here as there have been no material changes to the arrangements. However, a brief overview of the arrangements in place are as follows:
- 5.1.1 The Borough Council leases sports and arts facilities to Alive Leisure, which is a charitable trust. Alive Leisure is contracted by the Council to undertake various activities including operation of the facilities.
- 5.1.2 The Borough Council retains responsibility for maintenance of the facilities and utilities, and pays a Management Fee to Alive Leisure (the trust).
- 5.1.3 Alive Management Ltd is a wholly owned Local Authority Company (LAC) which is subcontracted by Alive Leisure for the operational management and delivery of leisure services, and to manage maintenance / equipment / capital requirements and utility consumption.
- 5.1.5 Alive Leisure, being an independent charitable trust, is a separate entity and no further information on it is therefore covered within this governance statement.
- 5.1.6 Alive Management Ltd (the LAC) has a Board of 5 members, three are Borough Councillors and two are Borough Council Executive Directors. Staffing consists of a Chief Operating Officer and 16 staff. The Company Secretary role is performed by the Council's Chief Financial Officer.
- 5.1.7 Approximately 100 staff are employed jointly by Alive Leisure and Alive Management Ltd – including for example, duty officers, lifeguards, and theatre technicians.
- 5.1.8 Governance elements within Alive Management Ltd (the LAC)
- i) Regular board meetings are held; these are minuted and published via the ModGov system.

- ii) Individual business plans are in place for each leisure/arts facility which link into the overall strategy created by Alive Leisure (the Trust).
- iii) The quality and aims of services are measured via external health and safety audits, externally scored mystery shopper visits, customer surveys, national benchmarking, analysis of attendance figures, and regular monitoring of the financial position.
- iv) Alive Management Ltd comply with the Council's terms and conditions; all staff and all jointly employed staff have a clear understanding of the standards of behaviour that are required. The arrangements in place for identifying and delivering staff training mirror those in place within the Borough Council.
- v) There are arrangements in place for identifying and managing risks to the organisation, for example there is a joint Business Continuity plan in place between Alive Leisure and Alive Management.
- vi) Roles and responsibilities are defined by job descriptions and contracts for employment are in place. Service Level Agreements are in place between Alive Management and Accountancy, HR, ICT and Internal Audit, and regular meetings with these services take place. Alive Management use the Borough Council's practices and procedures in these areas, including financial regulations and contract standing orders; this ensures compliance with relevant laws and regulations, and that expenditure is legal. The Chief Operating Officer has the level of spend allowable defined, all spend above this limit is taken to the Board to determine.
- vii) The Chief Operating Officer from Alive Management and the Chief Executive Officer from Alive Leisure meet every week to review reports from Managers. An action log is maintained and the meetings are minuted; Managers can raise queries – whether issues or opportunities through this forum and responses are fed back.
- viii) External auditors are in place; they present information and report to the Board in accordance with normal practices. The Accounts are recorded at Companies House in accordance with statutory timescales, changes of Board members are reported to Companies House and the required annual return is submitted as required. All returns are complied with, including corporate tax and VAT returns to HMRC.
- ix) Alive Management's treasury account is consolidated with the Borough Council's and is managed as part of the Council's arrangements. Recording of payments and income are recorded separately on the ledger. All financial controls are mirrored but separate.
- x) An annual health check is built into the VAT advice contract in place for the Council, Alive Management and Alive Leisure to ensure the arrangements are still fully compliant with VAT arrangements that underpin the new leisure delivery model.

5.1.9 Changes within these arrangements during the 2016/17 year:

- The finance function – monitoring accounts, budgets and closedown – for the Leisure Trust is no longer delivered by the Council, it is delivered by a finance officer directly engaged within the Trust. Monthly finance review meetings are held between officers of the Council, Alive Management Ltd and Alive Leisure as the Council continues to undertake all other financial elements: the Trust still operates on open book accounting and interdependencies remain between Alive

Leisure Trust, Alive Management Ltd and the Borough Council. This change has resulted in a reduction in the charge to the Trust for accountancy support.

- The frequency of meetings that take place between Alive Management, Alive Leisure and HR and Alive Management, Alive Leisure and ICT have reduced to quarterly during the 2016/17 year as working arrangements have been consolidated.

Legal arrangements

5.2 The Council's legal service is delivered via a delegated agreement on an annual, rolling basis, with Eastlaw (the in-house legal team at North Norfolk District Council). The agreement is designed to provide resilient and quality legal services to the Borough Council and includes provision of a Monitoring Officer; one of the Council's designated statutory posts. Eastlaw provide the client role for commissioned legal services, as well as providing general advice.

Local Authority Housing Company

5.3 In August 2016, Cabinet resolved⁹ to set up a wholly owned Local Authority Company the main purpose of which is to help meet the Council's statutory housing duties, by holding property that will be purchased and / or leased from the Council in order to create and provide affordable housing. The company is called the West Norfolk Housing Company Ltd and is a 'with profits' company limited by shares.

5.3.1 Governance elements within West Norfolk Housing Company Ltd

i) The Board currently consists of 5 members, three are Borough Councillors and two are Borough Council Officers – the Chief Executive and the Housing Services Manager. The Council's S151 Officer is the Company Secretary. Plans are in place to appoint three independent board members early in 2017/18.

ii) The Company is to be run by the Directors, but their decision making is constrained by a shareholders agreement which defines the decisions that would need shareholder consent. The Council is the sole shareholder and as such decisions as to how to exercise its shareholder powers would come back to the Council's Cabinet.

iii) At its meeting on 23 March 2017 the board adopted the National Housing Federation's (NHF) Code of Conduct, which requires the company to uphold the highest standards of probity and conduct, and the NHF Code of Governance, which is designed for use by Housing Associations. Compliance with the Code of Governance will be assessed annually.

iv) The Company will adopt the council's Financial Regulations and Contract Standing Orders and a modified version of the Council's Treasury Strategy. An SLA is in place between the Company and the financial services team within the Council to provide financial monitoring information and access to specialist advice such as Treasury consultants.

v) The Company has a Risk Register within its business plan and has adopted the Council's Risk Management Policy and Strategy. The Register includes steps that will be taken to mitigate the identified risks and the Board will receive an annual assessment of risk and associated recommendations.

⁹ 2 August 2016

vi) Regular Board meetings are held, these are formally minuted and minutes are published on the Council's ModGov system.

6. Known changes in the 2017/18 year

6.1 Internal Audit

During the year, planning took place to move to a shared arrangement with Fenland District Council to manage the Internal Audit team with effect from 1 April 2017. A handover period has been in place since November 2016 to assist the change and a Section 113 agreement is in place to underpin the arrangement.¹⁰ These arrangements have been entered into in order to provide a cost saving to the authority, whilst at the same time continuing to provide an effective internal audit function through a different model of delivery. Care was taken when devising the new arrangements to ensure that the shared Internal Audit Manager will be able to provide the assurance required by management and Members, and issue an Audit Opinion for the Annual Governance Statement.

6.2 Corporate Risk Register

The responsibility for producing the Corporate Risk Register on behalf of Management Team will move to the Policy, Performance & Personnel team with effect from April 2017.

6.3 External Audit

During the 2017/18 year, the Council will be going out to tender for new External Auditors as the transitional arrangements put in place following the close of the Audit Commission end on 31 March 2018.

The Council's current external auditor is Ernst & Young, and the Council will need to have a new auditor in place before the end of the 2017/18 year. At its meeting on 5 September 2016, the Audit Committee recommended that the Council "opt-in" to the procurement process being run by the national sector led body Public Sector Audit Appointments Ltd (PSAA). Full Council approved this approach at the Council meeting on 17 November 2016.

The PSAA is completing the major procurement process to identify the firms which will carry out audits under contract to PSAA and the successful suppliers are expected to be announced in June 2017.

6.4 Timetable for Accounts

It will be a statutory requirement for the closedown of the 2017/18 accounts (which will be completed in the 2018/19 year) and each year thereafter, to be adopted by 31 July rather than 30 September, as was required in previous years. In preparation for this, the Council's accounts for the 2016/17 year (being completed within the 2017/18 year) are being prepared for adoption early, at the Audit Committee on 31 July 2017. All processes have been brought forward, including those undertaken by the external auditors in order to ensure that the revised statutory timescales can be met.

¹⁰ Section 113 of the Local Government Act 1972

6.5 Boundary Commission for England review

The Local Government Boundary Commission for England has confirmed that the Borough Council King's Lynn & West Norfolk is in its ward boundary review programme for 2017/2018. The preliminary stage of the review, which considers the number of Councillors required commenced in February 2017 and concludes in May 2017. The second part of the review is concerned with identifying the ward boundaries. The review is scheduled for completion in April 2018.

7. **Action Plan**

In the Annual Governance Statement for 2015/16 (presented to Cabinet on 9 September 2016) an 11 point Action Plan for 2016/17 was set out to deal with governance issues identified during the review for that year. All points on that Action Plan have been completed.

The Action Plan to be worked on during 2017/18, containing 8 new items identified through the review undertaken on the 2016/17 year is attached at Appendix B.

8. **Assurance summary**

From the review undertaken, the assessment and ongoing monitoring work completed¹¹ and supported by the verification work undertaken by Internal Audit, we have reached the opinion that key systems are operating soundly and that there are no fundamental weaknesses.

No system of internal control could provide absolute assurances against material misstatement or loss; this statement is intended to provide reasonable assurance. We are satisfied that an on-going process for identifying, evaluating and managing key risks exists. These risks are reflected in the audit plan, the Corporate Risk Register and are the subject of separate reports during the course of the year.

We propose over the coming year to take steps to address matters identified to further enhance our governance arrangements. We are satisfied that the steps outlined at Appendix B will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:

Cllr Brian Long
Leader of the Council
DATE 2017

Ray Harding
Chief Executive
DATE 2017

Cllr David Pope
Chair of the Audit Committee
DATE 2017

¹¹ By the Audit Committee during 2016/17

APPENDIX A: EVIDENCE LIST – HOW THE PRINCIPLES OF CORPORATE GOVERNANCE HAVE BEEN ADHERED TO DURING THE 2016/17 YEAR

| Policies, Strategies, Rules & Codes | Processes and Frameworks | Key documents | Functions |
|---|---|--|--|
| <ul style="list-style-type: none"> • Anti-fraud and Anti-corruption Strategy • Capital Strategy • Code of Conduct • Computer usage policy • Constitution • Data Protection and FOI policies • Data Quality Strategy • Employment rules • Equality and Diversity policy • Financial procedure rules and standing orders (within Constitution) • Financial regulations • Health and Safety Policy • ICT strategy and action plan • Medium Term Financial Strategy • Member/Officer protocol • Members' allowances scheme (Constitution) • Members' code of conduct (Constitution) • Officers' code of conduct (Constitution) • Pay policy statement • Procedure rules (contracts, employment, meetings) (Constitution) • Procurement regulations • Procurement strategy • Protocol on member / officer relations (Constitution) • Prudential code • Risk Management Strategy • Scheme of Delegation (within Constitution) • Training abroad with Council devices policy • Treasury Management Policy statement • Whistleblowing policy • Workforce learning and development | <ul style="list-style-type: none"> • Benchmarking • Budget consultation • Budget process • Business continuity framework • Car Park Management • Civil Parking Enforcement • Competency frameworks • Complaints process • Corporate Business Plan • Customer Care Standards • Customer feedback process • Environment policy • Environmental Statement • EQIA policies • Equality Monitoring • Extended Managers Meetings • Health and Safety policy • Induction process (member and officer) • Internal Audit Strategic Plan • Job evaluation process • Legal Services • Managing performance (people) framework (including appraisal process) • Meeting timetable • Member allowances publication • Member training • MRF Partnership Case & Repair • MT/Union meetings • Officer membership of professional bodies • Performance Management (business) framework • PRP targets • Risk management process • Scrutiny framework (Constitution) • Senior Staff Salary publication • Staff Briefing • Training for Chairs | <ul style="list-style-type: none"> • Agendas & Minutes • Alive Trust/Management Suite • Annual audit letters • Annual Directorate Plans • Annual Governance Statement • Assurance Statements • CCTV Operating Manual • CNC Building Control • Committee reports, agendas and minutes • Complaints reports • Consultation register • Corporate Risk Register • Council tax booklet • Council website • Delegation Agreement & SLA • Employee Handbook • Enforcement Policy • External inspection / review reports • Harassment Procedure • Internal Affairs • Intranet • JNC terms & conditions • Job descriptions/specs • Key decisions (within Constitution) • Law & governance • Members Bulletin • Publication Scheme (FOI) • Quarterly Performance Reports • Record of decisions • Registers of interest • Report templates • Salary scales • Senior management remuneration report • Service level agreements • Service plans • Standard timetable for circulation of agendas • Statement of Accounts • Statement of Internal Control (part of AGS) • Timetable of council meetings • Training programmes • Transparency publications • West Norfolk Partnership • Workforce development and plans • Working Protocol | <ul style="list-style-type: none"> • Audit Committee • Community Information points • Democratic Services • External audit (and other reviews) • Finance service • Functions and responsibilities • Head of Paid Service • Health and Safety officer • Human Resources • ICT Development Group • Independent remuneration panel • Internal audit • Local Government Ombudsman (report) • Management Team • Monitoring Officer • Monitoring Officer report • Policy Development and Review Panels • PR/Communication • S151 officer • Social media • Standards Committee • Statutory reports • Terms of reference for committees (Constitution) • Website • Weekly CEO/Leader mtgs |

APPENDIX B: ACTION PLAN FOR THE 2017/18 YEAR

| | Item | Action | Responsible Officer | Target Date |
|---|--|---|--|-------------|
| 1 | Financial Sustainability (Underpinned by Financial Plan 2016-2021) | Ensure robust processes are in place for identifying, delivering and monitoring cost reduction efficiencies and income generation | Executive Director, Finance Services | March 2018 |
| 2 | Internal Audit | Embed and monitor new Internal Audit arrangements | Executive Director, Finance Services | March 2018 |
| 3 | External Audit | Ensure a robust tender process takes place to put in place new external audit arrangements | Executive Director, Finance Services | March 2018 |
| 4 | Public Services Network (PSN) compliance | Ensure PSN compliance during 2017/18 including progressing any actions identified as a result of the 2016 audit | Executive Director, Central and Community Services | March 2018 |
| 5 | Payment Card Industry (PCI) compliance | Respond to issues identified during the 2015 PCI audit | Executive Director, Central and Community Services | March 2018 |
| 6 | Risk Management | Embed revised arrangements for production of the Corporate Risk Register | Executive Director, Central and Community Services | March 2018 |
| 7 | Review of Ward Boundaries (Review by Local Government Boundary Commission for England) | Ensure active participation in the review in order to ensure the best possible evidence based outcome for West Norfolk | Executive Director, Central and Community Services | March 2018 |
| 8 | Corporate policies | Introduce arrangements to co-ordinate and monitor the publication and updating of agreed policies | Executive Director, Central and Community Services | March 2018 |

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

| | | | |
|-----------------|---|---|----|
| REPORT TO: | Audit Committee | | |
| DATE: | 30 May 2017 | | |
| TITLE: | Corporate Risk Monitoring Report April 2017 | | |
| TYPE OF REPORT: | Monitoring | | |
| PORTFOLIO(S): | Systems & Economic Development | | |
| REPORT AUTHOR: | Vanessa Dunmall, Performance & Efficiency Manager | | |
| OPEN/EXEMPT | Open | WILL BE SUBJECT TO A FUTURE CABINET REPORT: | No |

REPORT SUMMARY/COVER PAGE

| |
|---|
| PURPOSE OF REPORT/SUMMARY: |
| This report presents the changes to the Corporate Risk Register since the last monitoring report in October 2016. It gives details of the risks falling into the 'Very High' category and the associated work being progressed to mitigate the effects. |
| KEY ISSUES: |
| Two risks have been removed from the register and two new ones have been added. No risk scores have been changed as part of the review undertaken. |
| OPTIONS CONSIDERED: |
| Not applicable |
| RECOMMENDATIONS: |
| Members are requested to consider the contents of the Corporate Risk Register and confirm agreement with Management Team's assessment of the risks to the Corporate Objectives. |
| REASONS FOR RECOMMENDATIONS: |
| In order to ensure the Council meets its statutory obligations to ensure that it has 'effective arrangements in place for the management of risk'. |

REPORT DETAIL

1. Introduction

- 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 1st 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, as at October 2016, being presented in November 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, has been provided to the Audit Committee in hard copy, for reference.

2. 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 is 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.

2.2 Apart from small changes made from a fresh review of the content and updates on progress for various entries, the main changes since October 2016 are listed below.

2.3 Risks to be removed:

Two risks have been removed from the register, from Priorities 1 and 2.

1.14 – Land Charges

The risk was originally added as an adverse judgement on a land charges case may have resulted in the Council being liable to reimburse an element of past Land Charges fees. The Service Manager advises that no further claims are expected and Management Team has determined that this entry may therefore be removed.

2.6 – Major Planning Applications

The risk was originally added to the register when changes were proposed by the Government to the way that Major Planning Applications were to be dealt with. Management Team have determined that the new Minister does not appear minded to progress the possible option and so this risk may be removed from the register.

2.4 New risks identified:

Two new risks have been added to the register:

1.18 Contaminated Land – Financial Impact

Management Team have identified that in the event that the Council decides to take action to deal with the remediation of the residual waste on the site of a large fire within the Borough, potential costs are not included in the financial plan.

1.19 Cyber Security Attack

In light of recent attacks to ICT systems elsewhere, a risk has been added in this area. The risk is that data and systems could be compromised by way of ransomware, virus and / or 'phishing' attacks. The Council has a good level of mitigation in place, including the systems 'patching' being up to date and necessary firewalls and filtering being in place.

2.5 Risk Rating Amendments

No risk rating scores have been changed for this update.

3. Conclusion

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

4.0 Corporate Priorities

The Corporate Risk Register is aligned with the Corporate Priorities and displayed under the 6 'Priority' headings.

5.0 Policy Implications

None

6.0 Financial Implications

6.1 The Corporate Risk Register is a document designed to assist Senior Management to identify and manage any financial implications identified through normal operations.

7.0 Personnel Implications

None

8.0 Statutory Considerations

8.1 Account and Audit Regulations 2015 - s3(c). The Council must ensure that it has 'effective arrangements for the management of risk'.

9.0 Equality Opportunity Considerations

None

10.0 Risk Management Implications

10.1 The Council has in place a Risk Management Policy (last adopted in March 2016) and an associated Risk Management Strategy.

10.2 The Corporate Risk Register records high level risks which pose a threat or opportunity to the Council's objectives. It is a tool used by the Chief Executive and the Executive Directors (Management Team) to help manage risk within the Authority and is a key document within the governance controls applied within the Council.

11.0 Recommendations

- 11.1 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.

12.0 Declarations of Interest / Dispensations Granted

None

Background Papers

April 2017 Corporate Risk Register

Previous Corporate Risk Registers

Risk Management Policy – approved in March 2016

Risk Management Strategy

CORPORATE RISK REGISTER MONITORING REPORT
APRIL 2017

| | |
|----------------------------------|--|
| Risk name: Business Rates | Responsible Director: Finance Services (s151 Officer) |
|----------------------------------|--|

| Ref | Description | Mitigation | Progress |
|------|---|---|---|
| 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.</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>VOA has changed its appeal process - now check, challenge and appeal.</p> | <p>The Power station appeal against the 2010 list has now been settled.</p> <p>A contingent liability has been noted in the Statement of Accounts in respect of the possible backdating of business rates to the QE hospital following advice they have received regarding their possible charitable status. Membership of the Business Rates Pool provides some provision to offset some of the impact, should it occur.</p> <p>Reserves have been created to protect against closure of major businesses and the position of major businesses continues to be monitored.</p> <p>The Council has responded to consultation on 100% retention arrangements and the s151 Officer has attended workshops.</p> <p>Mandatory training has been provided for Members sitting on IDB Boards.</p> <p>The VOA list for 31/03/16 is largely neutral.</p> |

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| | | |
|----------------------|----------|-----------|
| Risk Score: | | |
| Impact | Extreme | 5 |
| Likelihood | Possible | 3 |
| Total score | | 15 |
| Risk Category | | Very High |

CORPORATE RISK REGISTER MONITORING REPORT
APRIL 2017

| | |
|--------------------------------------|---|
| Risk name: 5-year Land Supply | Responsible Director: Environment and Planning |
|--------------------------------------|---|

| Ref | Description | Mitigation | Progress |
|-----|--|--|---|
| 2.4 | <p>The risk is that:</p> <p>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. NB A 5-year supply was then agreed, but at end of April 2017 is considered likely to be under question again..</p> | <p>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.</p> | <p>The Council currently has a 5-year plan. However a further appeal has been lodged against planning decisions which will result in a public enquiry due to be held later in 2017.</p> <p>The Housing White Paper produced in early 2017 introduces a new dimension for local authorities; making them not only responsible for supply but also for demand and delivery. If enough houses are not built, it could make the plan out date once again.</p> |

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| | | |
|----------------------|----------------|-----------|
| Risk Score: | | |
| Impact | Major | 4 |
| Likelihood | Almost certain | 5 |
| Total score | | 20 |
| Risk Category | | Very High |

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

- 1.10 – Fraud and Corruption
- 1.12 – Financial Plan
- 1.13 – VAT – Trust arrangements
- 1.18 – Contaminated land – Financial impact
- 2.2 – Empty retail properties / Town centre decline
- 2.3 – Major housing developments
- 3.1 – Emergency Response (External)
- 3.4 – Waste and Recycling Contract
- 3.5 – Health and Safety

CORPORATE RISK REGISTER MONITORING REPORT
APRIL 2017

| | | | | | | |
|-------------------|---------------------|--------------------|---------------------|--|---|-----------------------|
| LIKELIHOOD | 5 Almost Certain | (5) (Green) | (10) (Orange) | (15) (Red) | (20) (Red) 2.4. | (25) (Red) |
| | 4 Likely | | (8) (Green) | (12) (Orange) | (16) (Red) | (20) (Red) |
| | 3 Possible | | (6) (Green) 2.5. | (9) (Green) 1.2, 1.3, 1.5, 1.9, 1.17, 1.19, 3.3, 4.1, 6.1. | (12) (Orange) 1.10, 1.12, 1.13, 1.18, 2.2, 2.3, 3.1, 3.5. | (15) (Red) 1.16. |
| | 2 Unlikely | | | (6) (Green) 1.7, 1.11, 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 |
| | | IMPACT | | | | |

| Risk Category | How the Risk should be managed |
|-----------------------------------|---|
| 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. |

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

| | | | |
|-----------------|--|---|----|
| REPORT TO: | Audit Committee | | |
| DATE: | 30 th May 2017 | | |
| TITLE: | Internal Audit Annual Report and Opinion 2016-17 | | |
| TYPE OF REPORT: | Scrutiny | | |
| PORTFOLIO(S): | Performance | | |
| REPORT AUTHOR: | Kathy Woodward, Shared Internal Audit Manager | | |
| OPEN | | WILL BE SUBJECT TO A FUTURE CABINET REPORT: | No |

REPORT SUMMARY/COVER PAGE

| |
|--|
| PURPOSE OF REPORT/SUMMARY: |
| To provide the Audit Committee with an overview of the work undertaken by Internal Audit during 2016/17 and provide the Audit Managers annual opinion on the system of internal control. |
| KEY ISSUES: |
| Under the Accounts and Audit 2015, the Council ' <i>must conduct a review of the effectiveness of the system of internal control</i> '. The work of Internal Audit forms part of the assurance provided to Councillors and Management Team and supports the Annual Governance Statement. Public Sector Internal Audit Standards (PSIAS), which are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015, state that the Audit Manager ' <i>must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement</i> '. This report fulfils that requirement. The report includes consideration of the effectiveness of the internal audit team and the basis of the Audit Manager's opinion. |
| OPTIONS CONSIDERED: |
| Not applicable |
| RECOMMENDATIONS: |
| To receive the annual audit opinion and note the work of Internal Audit for 2016-17. |
| REASONS FOR RECOMMENDATIONS: |
| To comply with the requirements of the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). |

REPORT DETAIL

1. Introduction

- 1.1 Under the Accounts and Audit 2015, the Council '*must conduct a review of the effectiveness of the system of internal control*'. The work of Internal Audit forms part of the assurance provided to Councillors and Management Team and supports the Annual Governance Statement.
- 1.2 Public Sector Internal Audit Standards (PSIAS), which are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit Regulations 2015, state that the Audit Manager '*must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement*'. This report fulfils that requirement.
- 1.3 The Internal Audit Annual Report states the Audit Manager's opinion on the system of internal control and the sources of assurance used to form this opinion.
- 1.4 To support the stated opinion, this report describes the work carried out by Internal Audit during 2016-17 and summarises the resulting findings. It also reflects on the performance against the strategic plan and the effectiveness of the Internal Audit team.

2.0 Audit Manager's Opinion

- 2.1 On the basis of the work undertaken during the year, it is considered that the key systems operate in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy. However the Audit Manager's opinion can only provide a reasonable, not absolute, level of assurance as to the adequacy and effectiveness of these systems.
- 2.2 Bearing this in mind, in the Audit Manager's opinion, the Council's control arrangements were adequate and effective in 2016-17, with sound controls in all key areas.

3.0 Effectiveness of the Internal Audit team

- 3.1 During the first three quarters of 2016/17, the Internal Audit team consisted of a full time Audit Manager, 1.8 FTE Auditors and 1 full time Investigation Officer/Internal Auditor. The Audit Manager is a Chartered Member (CMIIA) of the Chartered Institute of Internal Auditors (CIIA). The Internal Auditors have either achieved a Practitioner status of the IIA or hold equivalent qualifications. The Investigation Officer/ Internal Auditor is PINS (Professionalism in Security) qualified and also an Accredited Counter Fraud Manager, and is currently training as an Internal Auditor.
- 3.2 Following the planned retirement of the current Audit Manager a new Shared Internal Audit Manager was appointed in November 2016. The new Shared Internal Audit Manager is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA) and has been shadowing the current Audit Manager since recruitment.
- 3.3 At the end of quarter three, one part-time auditor left the Council. This temporary reduction in resource had a minor impact on the planned work that could be completed in the year,

resulting in planned low risk audits being removed from the plan and more work being continued into 2017/18 than previously anticipated. However sufficient work was completed in 2016/17 to enable the Audit Manager to reach a valid conclusion on the effectiveness of the internal control systems. A full-time Internal Auditor has been recruited to join the team early in 2017/18.

- 3.4 All members of the team undertake training as part of their Continued Professional Development (CPD). This can take the form of attending externally run courses or in-house provision. A list of the courses attended is attached as **Appendix 1**. The training covers not only technical audit issues, but also subjects that the team have to consider as part of the various audits. This all forms part of the 'Knowledge of the Business' that is fundamental to the conduct of constructive audits. The team are also expected to be aware of reports going to the various panels and committees.
- 3.5 Where specialist IT audit skills are required the Audit Manager has the facility to use the IT audit services provided under the contract between Eastern Internal Audit Services (formerly the Norfolk Internal Audit Consortium), based at South Norfolk District Council, and TIAA Ltd.
- 3.6 The Internal Audit service is independent of any operational responsibilities and manages its own budget. During 2016-17 line management was through the Executive Director – Finance Services (s151 Officer), but direct access to the Chief Executive, Leader, or Chair of the Audit and Risk Committee was available if required.
- 3.7 Internal Audit have Terms of Reference which were approved by the Audit and Risk Committee on 25th June 2013. These describe the scope and objectives of the service, confirm the independent status, authority and standards by which the team operate, and define the responsibilities. The audit style and content, reporting lines and resources are also included. An update of the Terms of Reference is being completed and will be presented to the Audit Committee for approval in due course.
- 3.8 All work in 2016-17 has been performed according to the Public Sector Internal Audit Standards (PSIAS) which are mandatory. The standards, based on the Chartered Institute of Internal Auditors' (CIIA) International Professional Practices Framework and augmented by the Local Government Application Notes (LGAN), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.
- 3.9 To ensure the internal audit function meets the PSIAS requirements, an independent external quality assessment is required every five years. Such a review was carried out in 2014 by the CIIA and the next review is due in 2019.
- 3.10 The self-assessment checklist produced by the Chartered Institute of Internal Auditors (CIIA), consisting of 207 questions, is completed in the intervening years to ensure that the team continue to comply. The overall result for 2016/17 was positive. The completed PSIAS Conformance checklist is available to Members of the Audit Committee on InSite.

4.0 Basis of Assurance

4.1 Each year a Strategic Audit Plan is prepared by the Audit Manager, showing specific audits for the next financial year and proposals for the next few years. This is then presented to the Audit and Risk Committee to endorse. The plan for 2016-17 was agreed on 13th February 2017.

4.2 The Strategic Audit Plan for the year is constructed using the Assurance Framework as a basis, with no limitations in scope. The Assurance Framework is a risk based tool that divides the activities of the Council into five high level, and a sixth operational/ service based domains. Within these domains various activities are risk assessed and the frequency of audits for each area is based on the results. The risk assessment includes any assurance that can be gained from external sources such as the internal audit carried out by Bedford Borough Council for payroll processing. Other sources include the work of Health and Safety specialists and Security Industry Authority 'Approved Contractor' status for CCTV.

In addition to the Assurance Framework, the Audit Manager has regard for:

- Corporate Business Plan
- Discussions with the Executive Directors
- Entries on the Corporate Risk register
- Comments from the external auditors

4.3 At the end of each audit a formal report is issued, containing an action plan agreed with the relevant managers to address any control weaknesses identified during the audit. The audit reports are entered in to a restricted area of InSite for members of the Management Team and the Audit and Risk Committee to view.

4.4 Each report attributes a level of assurance gained for the area being audited as 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. |

4.5 During the year 20 internal audit reports have been issued and the results are summarised in the table at **Appendix 2**. Whilst most of the audits indicate a 'Full' or 'Substantial' level of assurance, three cases produced a result of 'Limited Assurance':

- Policies. This was the first time this subject had been audited and there were a number of issues to address, relating to regulation and legislation in order to establish an efficient and effective system of reviewing, approving and publishing corporate policies. A plan of action has been agreed with Management Team and is being implemented.

- Waste and Recycling. This is a complex contract that has been affected by key personnel with detailed knowledge leaving the Council. This has now been addressed and improvements are being made.
- S106 funds, CIL and Habitat Mitigation Levy. Responsibilities for monitoring the application of the agreements has recently been transferred to a new post and the administrative systems are still being established. Progress has been good and it is anticipated that the follow-up will show considerable improvement.

There were no instances of 'No Assurance' reports being issued.

- 4.6 Each audit is followed up approximately six months after the report has been issued to establish if recommendations are being implemented in accordance with the agreed action plan. Follow-up reports for 2016/17 indicate a good level of implementation with no major concerns raised and I would like to thank all managers for being receptive to our comments and recommendations.
- 4.7 Progress against the strategic plan, including summaries of the reports issued and any amendments to the plan were reported to the Audit Committee during the year.

5.0 Anti-Fraud and Anti-Corruption Procedures

- 5.1 Work with the National Fraud Initiative (NFI) has continued this year, with checks on the matches from the 2014/15 exercise and the Flexible Matching Service being completed. In total 3,761 matches were received and a total in excess of £115,000 is being recovered as a result.
- 5.2 Data has been uploaded for the 2016/17 NFI data matching exercise and results received back in January 2017. Work has commenced on investigating the reported matches.
- 5.3 The Anti-Fraud and Anti-Corruption Strategy, Whistleblowing Policy and Fraud Response Plan were reviewed and updated during 2016/17. The subsequent documents were presented to the Audit Committee on 13th February 2017 and Cabinet on 28th February 2017, and received Council approval on 6th April 2017.
- 5.4 The Internal Audit Team did not conduct any internal fraud investigations during 2016/17.

6.0 Risk Management

- 6.1 The process for reviewing and updating the Risk Register was co-ordinated by the Audit Manager, but responsibility for risk management lies with the Senior Management Team (SMT). As well as receiving the Internal Audit reports for their respective areas, which provide an indication of any weaknesses in the control environment, the SMT also review the Corporate Risk register on a 6-monthly basis in April and October. If any significant issues arise in the intervening period, they are discussed at the time and the register amended. The Audit Committee receive the Corporate Risk Register after it has been updated at the regular 6-monthly intervals.
- 6.2 Arrangements have been made for the Performance and Efficiency Manager to co-ordinate the risk register updates from April 2017 following the departure of the full time Audit Manager.

7.0 Conclusion

7.1 The system of internal control is designed to manage risk to a reasonable level, and therefore cannot provide absolute assurance.

7.2 Notwithstanding the above, based on the audit work completed during 2016-17, it is the opinion of the Audit Manager that:

- Adequate assurance can be gained in respect of the overall systems of internal control operating within the council.
- Risk management systems and corporate governance arrangements are satisfactory.

8. Background Papers

Strategic Internal Audit Plan
Public Sector Internal Audit Standards (PSIAS)
Half year progress report
Year end progress report

Training undertaken by Internal Audit 2016/17 included:

Appointing Your External Auditors

E-learning - Disability Equality

E-learning – Payment Card Industry Data security

EMT development – Unconscious Bias

Social media – Personal users

Safeguarding Adults Basic Awareness Violence and Aggression – Lone Workers

PACE (Police and Criminal Evidence) Codes C and E

Audit reports issued during 2016/17 showing assurance levels

| Audit title | Full Assurance | Substantial Assurance | Limited Assurance | No Assurance |
|---|----------------|-----------------------|-------------------|--------------|
| 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 | | ✓ | | |
| Capital Programme | | ✓ | | |
| Transparency and Open Data | | ✓ | | |
| Policies | | | ✓ | |
| Refuse and Recycling | | | ✓ | |
| Housing Options and Allocations | | ✓ | | |
| S106 Funds, CIL and Habitat Mitigation Levy | | | ✓ | |
| Play Areas | | ✓ | | |

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

| | | | |
|-----------------|--|---|----|
| REPORT TO: | Audit Committee | | |
| DATE: | 30 th May 2017 | | |
| TITLE: | Internal Audit Full Year Progress Report 2016-17 | | |
| TYPE OF REPORT: | Update | | |
| PORTFOLIO(S): | Cllr Daubney, Performance | | |
| REPORT AUTHOR: | | | |
| OPEN | | WILL BE SUBJECT TO A FUTURE CABINET REPORT: | No |

REPORT SUMMARY/COVER PAGE

| |
|---|
| PURPOSE OF REPORT/SUMMARY: |
| To provide Members with an update on progress against the Internal Audit Strategic Plan 2016-17 that was endorsed by the Audit Committee at the meeting on 23 rd February 2016. |
| KEY ISSUES: |
| Section 5 of the Accounts and Audit Regulations 2015 state that <i>'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'</i> |
| The work of the Internal Audit team throughout the year is directed towards compliance with this requirement as well as aiming to add value to the Council's services by identifying opportunities to improve efficiency and effectiveness. |
| The Audit Committee Terms of Reference require it to monitor the delivery of the internal audit activity. |
| OPTIONS CONSIDERED: |
| Not applicable. |
| RECOMMENDATIONS: |
| To review the progress against the planned work and ensure that it complies with the requirement of the Accounts and Audit Regulations 2015. |
| REASONS FOR RECOMMENDATIONS: |
| To ensure the Council is complying with section 5 of the Accounts and Audit Regulations 2015. |

1. Introduction

- 1.1 The Strategic Audit Plan 2016-17, endorsed by the Audit Committee on 23rd February 2016, sets out the work Internal Audit expect to carry out during the year. This work complies with the requirements of the Accounts and Audit Regulations 2015:

Section 3 – A relevant authority must 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*

Section 5 - A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.'

- 1.2 Performance Standard 2060 of the Public Sector Internal Audit Standards (PSIAS) requires the Audit Manager to report to the Audit Committee on the internal audit activity and performance relative to this plan.
- 1.3 The Terms of Reference for the Audit Committee require the Committee to monitor delivery of the internal audit activity to ensure that the resources and work are sufficient to fulfil the requirements of the Accounts and Audit Regulations.

2. Monitoring Report

- 2.1 On completion of each audit a formal report is issued to the relevant line managers, the Executive Director and Portfolio Holder. Copies are sent to the Chief Executive, Executive Director – Finance Services (s151 Officer), and the external auditors, Ernst and Young. A copy is also placed on InSite in the restricted area for members of the Audit Committee to view. Each report contains an action plan, with target dates, that has been agreed with the managers to address any observations and recommendations raised by the Internal Auditor. 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 The following audits have been completed during the second half of 2016-17 and reports issued as described above:
- Capital Programme
 - Policies
 - Transparency and Open Data
 - Refuse and Recycling
 - Housing Options and Allocations
 - S106 funds, CIL and Habitat Mitigation Levy
 - Play Areas
 - CCTV follow-up
 - Safeguarding Children 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 Committee on InSite.

- 2.3 The following audits were ongoing at the end of the year and will be reported to the Committee in the next progress report:

- Creditors
- Treasury Management
- Payroll
- ICT Change Management
- Informing the Customer
- Care and Repair
- Housing Standards
- Allotments

Of these, in four cases the majority of the work has been completed. Reports have been drafted to be discussed with managers and actions agreed before the final report is issued.

- 2.4 In addition to the standard audits, Internal Audit also undertook other work during the second half of the year including the following:
- Work continued with the Safeguarding Group to implement the new risk assessment procedures.
 - Review and update of the Anti-Fraud and Anti-Corruption Strategy, Whistleblowing Policy and Fraud Response Plan
 - Preparations for the transfer of responsibilities to the part-time manager.
- 2.5 One of the part-time Internal Auditors left the Council at the end of December 2016. The remaining work has been reallocated within the team and one audit had already been moved to the audit plan for 2017/18. However there may be some impact on the work carried over into the next audit year. An appointment has been made for a replacement on a full-time basis, commencing on 2nd May 2017.

As normal a few audits are ongoing at the end of the year and five have been carried over to the 2017-18 audit plan. It is not unusual for this to happen as the timing of the planned work is not exact.

The audit of ICT network security has been removed from the plan. Discussions at the start of the audit revealed that the level of audit carried out by the external bodies to comply with the requirements of the Payment Card Industry (PCI) and Public Services Network (PCN) is in excess of the work that could be completed by the Audit team here. Therefore it is reasonable to place reliance on the external work and remove this audit from the plan. A note has been made on the Assurance Framework and the position will be monitored each year to ensure the position remains the same.

3. Investigations work October 2016 – April 2017

- 3.1 There are currently 2 themes of National Fraud Initiative (NFI) reporting being completed:
- The Flexible Matching Service – This is an annual occurrence, focusing primarily on Council Tax data matches in need of investigation.
 - The NFI 2016/17 – This is a council wide data matching exercise, focusing on all possible areas of the council including Creditors, Payroll, Council Tax and Housing Benefits. This exercise is undertaken every two years.
- 3.2 Following the last progress report for April to October 2016, all of the 2,023 matches within the “NFI 2014/15 report” have now been investigated. These matches were spread over 46 different reports, covering Housing Benefit and Creditor matches. A total of £42,429.30 of fraud and error was identified.

3.3 The “NFI 2016/17 report” has 3,227 matches which were received in January 2017, of which 282 have been processed to date. A further 1,471 matches relating to Creditors have been passed onto Liaison who are conducting an Audit of Accounts Payable on behalf of the Authority. This leaves 1,474 matches still to be processed.

3.4 The Flexible Matching Service deals with matches mainly consisting of:

- Council Tax Single Person Discount (SPD) - 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.
- January 2016 datasets - only 4 outstanding matches to process out of 1,738. 233 accounts have been identified to have errors, 185 accounts have resulted in approx. £72,780 of additional liability being raised.
- January 2017 datasets – 679 matches received, 232 have been processed to date.

3.5 In total there are 1,925 matches still to be processed.

3.6 A new report is due for the Flexible Matching Service which is looking to match Council Tax records against other data sets (other than Electoral Registration data). This is anticipated to create a significant amount of matches.

3.7 In addition to the NFI work carried out, further fraud and error has been identified during 2016/17 as follows:

| | £ |
|---|---------------|
| Council Tax Reduction Scheme error | 1,555 |
| Council Tax Reduction Scheme fraud | 1,975 |
| Administrative Penalty | 1,014 |
| Housing Benefit and Council Tax Benefit | 4,508 |
| Council Tax error | 6,644 |
| Over claimed Flood Grant | 5,000 |
| Total additional fraud and error | 21,196 |

3.8 Investigation work is now also being conducted on an adhoc basis to attempt to trace debtors/absconders who have not advised of their address/contact information but have outstanding Council Tax/National Non-Domestic Rate/Sundry Debts arrears with the Authority. Investigations will be carried out to attempt to trace these individuals and any new address/contact information is being passed on to the Revenues Section for recovery purposes.

4. Issues for the Panel to Consider

- 4.1 The Committee needs to consider if the work completed by the Internal Audit team during 2016-17 is sufficient to support an opinion on the systems of internal control within the Council.

5. Corporate Priorities

- 5.1 The internal audit activity supports the achievement of the Corporate Business Plan by adding value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

6. Any other Implications/Risks

- 6.1 Monitoring the work of the Internal Audit Team enables the Audit Committee to receive assurance on the state of the internal control system of the Council.

7. Conclusion

- 7.1 The Strategic Internal Audit plan provides the basis for the Internal Audit team to carry out the work necessary to provide assurance on the systems of internal control. Monitoring progress against the plan ensures sufficient work is completed to provide an Annual Audit Opinion for the Annual Governance Statement and to fulfil the requirements of the Accounts and Audit Regulations 2015.

8. Background Papers

Strategic Internal Audit Plan 2016-17.
Accounts and Audit Regulations 2015

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. |
| 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 October to March 2016-17 | Overall Opinion |
|---|-----------------------|
| <p><u>Capital Programme</u> Report published November 2016 1 Medium recommendation relating to the need to ensure reviews of the capital programme continue to be included in the monthly budget reports.</p> | Substantial Assurance |
| <p><u>Transparency and Open Data</u> Report published November 2016 2 High and 2 Medium recommendations were made. The High recommendations concern the publication of Council spend and the extent to which payments to individuals should be published. The Medium recommendations are to publish updated information as soon as possible to avoid unnecessary Freedom of Information requests and to verify the automatic reports.</p> | Substantial Assurance |
| <p><u>Policies</u> Report published in December 2016 2 High recommendations to develop a 'Policy on Policies' and to review existing legislative and regulatory requirements.</p> | Limited Assurance |
| <p><u>Refuse and Recycling</u> Report published in January 2017 2 High and 3 Medium recommendations were made. One High recommendation is that the contract monitoring meetings should be minuted. The second related to the retention of contract documentation. The Medium recommendations relate to the monitoring of various Key Performance Indicators for the collection contract, the Local Green Points scheme and the NEWS recycling data.</p> | Limited Assurance |
| <p><u>Housing Options and Allocations</u> Report published in February 2017 1 High, 4 Medium and 2 Low recommendations.</p> | Substantial Assurance |
| <p><u>S106 Funds, CIL and Habitat Mitigation Levy</u> Report published in March 2017 5 High recommendations were made. One high recommendation includes amending a job description to include S106's. Two of the high recommendations were in relation to document management, one has already been completed. The final two high recommendations were for ensuring a control is in place for notifying the Land Charges team of recordings made to the Charge register – which has been completed and the final recommendations was in relation to using separate coding of the different payments on the Ledger, which has also been completed.</p> | Limited Assurance |

| Audits completed October to March 2016-17 | Overall Opinion |
|--|------------------------|
| <p><u>Play Areas</u> Report published in March 2017 3 Medium recommendations were made. One was in relation to conducting a Play needs assessment to develop a Policy and a Strategy. The second related to equipment being compliant with relevant British Standards. The third recommendation was in relation to the contractual position for play area inspections.</p> | Substantial Assurance |

| Follow-up audits completed October to March 2016-17 | Original report | Follow-up progress |
|---|--------------------------------------|---------------------------|
| <u>CCTV</u> The report published in March 2016 contained 3 Medium recommendations, which have been implemented satisfactorily. | March 2016 Substantial Assurance | November 2016 Good |
| <u>Safeguarding Children</u> The report published in August 2016 contained 4 High and 3 Medium recommendations. At the time of the follow-up all but 2 High and 1 Medium recommendation had been completed. Of those actions still outstanding, 1 High and 1 Medium have been completed, and although the remaining High recommendation is still awaiting the next update of Contract Standing Orders to be fully complete, the auditor is aware that the recommendation has been put into practice. | August 2016 Substantial Assurance | October 2016 Very Good |

POLICY REVIEW AND DEVELOPMENT PANEL REPORT

| | | | |
|-----------------|---|---|-----|
| REPORT TO: | Audit Committee | | |
| DATE: | 30 May 2017 | | |
| TITLE: | Audit Committee Effectiveness | | |
| TYPE OF REPORT: | Monitoring | | |
| PORTFOLIO(S): | | | |
| REPORT AUTHOR: | Kathy Woodward, Shared Internal Audit Manager | | |
| OPEN | | WILL BE SUBJECT TO A FUTURE CABINET REPORT: | Yes |

REPORT SUMMARY/COVER PAGE

| |
|---|
| PURPOSE OF REPORT/SUMMARY: |
| It is considered to be good practice for the Audit Committee to present Cabinet with an annual report on the work carried out by the Committee in the preceding year. This report reviews the work of the Audit and Risk Committee during the year 2016/17 and considers if the Committee has effectively fulfilled its role. |
| KEY ISSUES: |
| The report indicates the training received by the Committee in order to be able to fulfil their governance role, the reports received and a summary of the points discussed. |
| OPTIONS CONSIDERED: |
| Not applicable. |
| RECOMMENDATIONS: |
| That the Audit Committee considers the content of the report and decides if it accurately reflects the work of the Committee in 2016/17. That the Audit Committee confirms their agreement to the Chair taking the report to Cabinet as evidence that the Committee operated effectively. |
| REASONS FOR RECOMMENDATIONS: |
| To comply with best practice and to enhance the effectiveness of the Audit Committee. |

REPORT DETAIL

1. Introduction

The Audit Committee was set up in 2006, with Terms of Reference drawn up in line with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). These were reviewed and updated as part of the review of the scrutiny arrangements in June 2016.

Under the Accounts and Audit Regulations 2015, a council is required 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; and

(c) includes effective arrangements for the management of risk.'

Good corporate governance requires independent, effective assurance about the adequacy of financial and operational management and reporting. This assurance is best delivered by a committee that is independent from the executive and scrutiny functions. This was provided by the Audit Committee during 2016/17.

In order to ensure that this monitoring of governance is carried out effectively, a regular review of the role and activities of the Audit Committee is necessary.

2. Review Details

The review was completed by the Audit Manager using a checklist compiled by CIPFA. The completed checklist is attached as **Appendix 1** of this report. In addition information has been compiled on the reports considered by the Committee and attached as **Appendix 2**. The resulting draft report was then considered by the Chair and Vice Chair of the Audit Committee.

The responses in the checklist are ticked as:

- 'Y' – Yes. The criteria have been met and no action is required.
 - 'P' – Partial. The criteria have only been met in part, some action may be required.
- 'N' – No. The criteria have not been met and action may be required

3. Items considered during 2016-17

Throughout 2016-17 the Audit Committee held 6 meetings and received a total of 25 reports on a number of issues, including:

Internal Audit and Fraud

- Internal Audit Annual Report and Opinion 2015-16
- Internal Audit Plan 2015-16 – End of year progress report
- Exempt report – Internal Audit Service
- Audit and Fraud half year progress report
- Strategic Internal Audit Plan 2017-22

External Audit

- Annual Audit Letter for year ended 31 March 2016
- External Audit Plan
- Certification of Annual Claims and Returns Annual report 2015-16

Finance

- Capital Programme and Resources 2015-19
- Revenue Outturn 2015-16
- Annual Treasury Report
- Statement of Accounts 2015-16
- Mid-year Treasury Report
- Review of Financial Regulations
- Treasury Management Strategy 2017-18

Corporate Governance and Risk

- Corporate Risk Monitoring Report April 2016
- Annual Governance Statement
- Monitoring Officer Report 2015-16
- Audit Committee Effectiveness Review 2015-16
- Changes to the arrangements for the appointment of external auditors
- Business Continuity Annual Update
- Update on the Annual Governance Statement
- Risk Register Update October 2016
- Review of Anti-Fraud and Anti-Corruption Strategy, Whistleblowing Policy and Fraud Response Plan
- Exempt report – Risk based Verification Policy Update.

A summary of the content of each report and the subsequent discussion has been compiled by Democratic Services and is attached as **Appendix 2**.

The Committee received 4 training sessions during the year on:

- Role of the Audit Committee
- Presentation for Norfolk Pension Fund
- Annual Governance Statement
- Treasury Management

4. Conclusion

During 2016-17 the Audit and Risk Committee received and commented on all relevant reports and actively monitored risk and internal controls. As a result it is continuing to perform effectively and the Council is meeting its requirements under the Accounts and Audit Regulations 2015.

5. Background Papers

Accounts and Audit Regulations 2015.

Borough Council of King's Lynn and West Norfolk

For the year 2016-17

Audit and Risk Committee Self-Assessment Exercise

| No | Issue | Y | P | N | Evidence/ Comment | Action Required |
|----|-------|---|---|---|-------------------|-----------------|
|----|-------|---|---|---|-------------------|-----------------|

1. ESTABLISHMENT, OPERATION AND DUTIES**Role and Remit**

| | | | | | | |
|-----|---|---|--|--|--|--|
| 1.1 | Does the audit committee have written Terms of Reference? | Y | | | The Terms of Reference were reviewed and approved by Council on 30 June 2016. | |
| 1.2 | Do the Terms of Reference cover the core functions of an audit committee as identified in the CIPFA guidance? | Y | | | | |
| 1.3 | Are the Terms of Reference approved by the council and reviewed periodically? | Y | | | The next review is due in May 2019. | |
| 1.4 | Can the audit committee access other committees and full council as necessary? | Y | | | All Members attend Full Council and can attend any other Panel or Committee meeting under Standing Order 34. | |
| 1.5 | Does the authority's Annual Governance Statement include a description of the audit committee's establishment and activities? | Y | | | Section 4 'Review of Effectiveness' includes a description of the Audit and Risk Committee's function. | |
| 1.6 | Does the audit committee periodically assess its own effectiveness? | Y | | | An annual review is carried out. | |

Membership, Induction and Training

| | | | | | | |
|------|--|---|--|--|---|--|
| 1.9 | Has the membership of the audit committee been formally agreed and a quorum set? | Y | | | Formally appointed by Council. Quorum set through Standing Orders. | |
| 1.10 | Is the chair independent of the executive function? | Y | | | | |

Borough Council of King's Lynn and West Norfolk

For the year 2016-17

Audit and Risk Committee Self-Assessment Exercise

| No | Issue | Y | P | N | Evidence/ Comment | Action Required |
|-----------------|--|---|---|---|---|--|
| 1.11 | Has the audit committee chair previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime? | Y | | | The Chair has attended all training offered to the Committee, which included Financial training. | |
| 1.12 | Are new audit committee members provided with appropriate induction? | Y | | | Training is offered to all Members by Democratic Services. The training is carried out prior to the start of a meeting to maximise participation. | |
| 1.13 | Have all member's skills and experiences been assessed and training given for identified gaps? | | P | | An analysis of skills and experiences is not carried out. However, a training programme has been designed to cover all previously identified training needs and Members can request specific training if necessary. | Continue to review Members training programme. |
| 1.14 | Has each member declared his or her business interests? | Y | | | Records of interests are kept by Democratic Services. A standing item of each agenda requires Members to declare any relevant interests. | |
| 1.15 | Are members sufficiently independent of other key committees of the council? | Y | | | Under the new Scrutiny arrangements the Audit Committee became an independent Committee from June 2016. | |
| Meetings | | | | | | |
| 1.16 | Does the committee meet regularly? | Y | | | 6 meetings were held in 2016-17. The programme for 2017-18 includes 6 planned meetings, but this may increase if the Committee needs to consider urgent reports in the intervening time. | |
| 1.17 | Do the Terms of Reference set out the frequency of meetings? | Y | | | Minimum of 4 meetings a year, but this can be increased if necessary. | |

Borough Council of King's Lynn and West Norfolk

For the year 2016-17

Audit and Risk Committee Self-Assessment Exercise

| No | Issue | Y | P | N | Evidence/ Comment | Action Required |
|----------------------------|---|---|---|---|--|-----------------|
| 1.18 | Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar? | Y | | | A calendar of meetings is published for each year and dates are co-ordinated with Cabinet and specific key events. | |
| 1.19 | Are members attending meetings on a regular basis and if not, is appropriate action taken? | Y | | | A record of attendance is kept by Democratic Services. Any persistent non-attendance is brought to the attention of the relevant party leader. | |
| 1.20 | Are members free and open without political influences being displayed? | Y | | | | |
| 1.21 | Does the authority's s151 officer or deputy attend all meetings? | Y | | | All meetings were attended by the Assistant Director (s151 Officer), now Executive Director, Finance Services | |
| 1.22 | Does the audit committee have the benefit of attendance of appropriate officers at its meetings? | Y | | | Relevant officers attend to present the reports and answer questions. | |
| 1.23 | Are decisions reached promptly? | Y | | | A decision is made at the end of each item on the agenda. | |
| 2. INTERNAL CONTROL | | | | | | |
| 2.1 | Does the audit committee consider the findings of the annual review of effectiveness of the system of internal control (as required by the Accounts and Audit Regulations) including the review of the effectiveness of the system of internal audit? | Y | | | Audit Manager's Annual Report for 2015-16 was presented on 11 July 2016, which included an assessment of the effectiveness of Internal Audit. | |
| 2.2 | Does the audit committee have responsibility for review and approval of the Annual Governance Statement and does it consider it separately from the accounts? | Y | | | AGS presented 5 September 2016 as a separate report from the Statement of Accounts 2015-16. | |

Audit and Risk Committee Self-Assessment Exercise

| No | Issue | Y | P | N | Evidence/ Comment | Action Required |
|------|---|---|---|---|---|-----------------|
| 2.3 | Does the audit committee consider how meaningful the Annual Governance Statement is? | Y | | | The Committee received a training session on the relevance and content of the AGS on 28 November 2016. | |
| 2.4 | Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period? | Y | | | Various reports are presented to the Committee throughout the year relating to internal audit, external audit, finance, fraud, corporate governance and risk. | |
| 2.5 | Has the audit committee considered how it integrates with other committees that may have responsibility for risk management? | Y | | | | |
| 2.6 | Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan? | Y | | | The report setting the Strategic Internal Audit Plan each year contains an explanation of the consideration of risk management in the planning process. | |
| 2.7 | Does the audit committee review the authority's strategic risk register at least annually? | Y | | | Update reports are presented twice a year in April/May and October/November. | |
| 2.8 | Does the audit committee monitor how the authority assesses risk? | Y | | | Included in the 6-monthly reports. Updates to the Risk Management Policy and Strategy are reviewed and approved by the Audit Committee. | |
| 2.9 | Do the audit committee's Terms of Reference include oversight of the risk management processes? | Y | | | Terms of Reference F.8 (a) and (b) refers. | |
| 2.10 | Does the audit committee take a role in overseeing anti-fraud and whistleblowing arrangements? | Y | | | Terms of Reference F.8 (a) refers. | |

| |
|--|
| 3. FINANCIAL REPORTING & REGULATORY MATTERS |
|--|

Borough Council of King's Lynn and West Norfolk

For the year 2016-17

Audit and Risk Committee Self-Assessment Exercise

| No | Issue | Y | P | N | Evidence/ Comment | Action Required |
|-----|--|---|---|---|--|-----------------|
| 3.1 | Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined? | Y | | | Terms of Reference F.7 (a) refers. The timetable of meetings includes provision for meetings in July to consider the Statement of Accounts. | |
| 3.2 | Does the audit committee consider specifically: <ul style="list-style-type: none"> ▪ The suitability of accounting policies and treatments ▪ Major judgements made ▪ Large write-offs ▪ Changes in accounting treatment ▪ The reasonableness of accounting estimates ▪ The narrative aspects of reporting? | Y | | | The financial reports presented cover all the aspects stated. | |
| 3.3 | Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit? | Y | | | Meeting in July. | |
| 3.4 | Does the audit committee review management's letter of representation? | Y | | | Management responses are included in the covering report to the external auditors report. The responses are also discussed at the meeting. | |
| 3.5 | Does the audit committee annually review the accounting policies of the authority? | Y | | | Included in the Statement of Accounts report. | |
| 3.6 | Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts? | Y | | | The Assistant Director (s151 Officer) and Group Accountant attended the relevant meetings to present the report and answer questions relating to the preparation of accounts. Training on the Closedown of | |

Audit and Risk Committee Self-Assessment Exercise

| No | Issue | Y | P | N | Evidence/ Comment | Action Required |
|--------------------------|--|---|---|---|--|-----------------|
| | | | | | Accounts is also provided immediately prior to the meeting. | |
| 3.7 | Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training? | Y | | | 'Members Bulletin' is circulated to all Members, which contains general updates and circulars when they occur. For issues specifically relevant to the Committee, a report is presented. | |
| 4. INTERNAL AUDIT | | | | | | |
| 4.1 | Does the audit committee approve annually, and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks? | Y | | | The Internal Audit Strategic Plan is presented in February each year for approval. Details of how the plan is compiled are included in the covering report. For the year 2016-17 the Plan was presented on 23 rd February 2016. | |
| 4.2 | Does internal audit have an appropriate reporting line to the audit committee? | Y | | | Direct access to the Chair is included in the revised Terms of Reference, along with the potential for Internal Audit to meet with the Committee, without Senior Management being present, if necessary. | |
| 4.3 | Does the audit committee receive periodic reports from the internal audit service including an annual report from the Audit Manager? | Y | | | The Committee receives reports on progress against the Strategic Plan, and the Audit Manager presents the Annual Report in June/ July. | |
| 4.4 | Are follow-up audits by Internal Audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations? | Y | | | Included in the progress reports. Officers can be asked to attend the meetings to answer questions if progress is not satisfactory. | |
| 4.5 | Does the audit committee hold periodic private discussions with the Audit Manager? | Y | | | The facility is available within the Terms of Reference if required. No meetings were required during 2016/17. | |

Audit and Risk Committee Self-Assessment Exercise

| No | Issue | Y | P | N | Evidence/ Comment | Action Required |
|----|-------|---|---|---|-------------------|-----------------|
|----|-------|---|---|---|-------------------|-----------------|

| | | | | | | |
|------|--|---|---|--|---|--------------------|
| 4.6 | Is there appropriate co-operation between the internal and external auditors? | | P | | Ernst and Young receive all Internal Audit reports, but adopt a substantive audit approach and perform their own tests. | No action required |
| 4.7 | Does the audit committee review the adequacy of internal audit staffing and other resources? | Y | | | Included in the Strategic Audit Plan report and the half-yearly progress reports. | |
| 4.8 | Has the audit committee evaluated whether its internal audit service complies with Public Sector Internal Audit Standards (PSIAS)? | Y | | | An external quality assessment was completed in 2014 by the Chartered Institute of Internal Auditors and the resulting report was presented to the Committee in October 2014. The next external review will be due in 2019. In intervening years an internal self-assessment is completed and made available to Members of the Audit Committee. | |
| 4.9 | Are internal audit performance measures monitored by the audit committee? | Y | | | Performance Indicators are set as part of the Strategic Plan and monitored in the progress reports. | |
| 4.10 | Has the audit committee considered the information it wishes to receive from internal audit? | Y | | | No requests for specific reports were made in 2016-17, although further information was provided in response to requests from Members. | |

5. EXTERNAL AUDIT

| | | | | | | |
|-----|--|---|--|--|--|--|
| 5.1 | Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)? | Y | | | Ernst Young attend meetings to present their reports and answer questions. | |
| 5.2 | Does the audit committee hold periodic private discussions with the external auditor? | Y | | | The facility is available within the Terms of Reference if required. No meetings were required during 2016/17. | |
| 5.3 | Does the audit committee review the external auditor's annual report to those charged with governance? | Y | | | Report is presented at the meeting in July. | |

Borough Council of King's Lynn and West Norfolk

For the year 2016-17

Audit and Risk Committee Self-Assessment Exercise

| No | Issue | Y | P | N | Evidence/ Comment | Action Required |
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| 5.4 | Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations? | Y | | | Recommendations are taken into account when preparing the Internal Audit Strategic Plan. | |
| 5.5 | Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit inspection letter? | Y | | | Report to those charged with governance (ISA260) – 5 September 2016 Annual Audit Letter – 28 November 2016 Audit Plan 2016/17 – 13 February 2017 Certification of Claims and Returns Annual Report 2015/16 – 13 February 2017. | |
| 5.6 | Does the audit committee assess the performance of external audit? | Y | | | Considered as reports are presented. | |

6. ADMINISTRATION**Agenda Administration**

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| 6.1 | Does the audit committee have a delegated secretary from Committee/Member Services? | Y | | | Wendy Vincent, Democratic Services. | |
| 6.2 | Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members? | Y | | | A timetable is set for the year detailing meeting dates and deadlines for reports to be submitted. | |
| 6.3 | Are outline agendas planned one year ahead to cover issues on a cyclical basis? | Y | | | Included in the timetable for the year. | |
| 6.4 | Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit? | | | N | 'Any Other Business' is not an agenda item. Only 'Urgent Business' is accepted under Standing Order 7. | No action required. |

Papers

Borough Council of King's Lynn and West Norfolk

Audit and Risk Committee Self-Assessment Exercise

| No | Issue | Y | P | N | Evidence/ Comment | Action Required |
|------------------------|---|---|---|---|---|---------------------|
| 6.5 | Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective? | Y | | | The timetable is designed to ensure the timing and frequency of routine reports is appropriate. Ad hoc reports are presented as they arise and also in line with Cabinet requirements if necessary. | |
| 6.6 | Does the audit committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented? | | | N | The format is a corporate template. | No action required. |
| Actions Arising | | | | | | |
| 6.7 | Are minutes prepared and circulated promptly to the appropriate people? | Y | | | Minutes are produced within a week of the meeting. | |
| 6.8 | Do action points indicate who is to perform what and by when? | Y | | | If action is required. | |

ISSUES DISCUSSED AT MEETINGS OF AUDIT COMMITTEE 2016 – 2017

Appendix 2

| <u>Date of Meeting/Length of Meeting</u> | <u>Details</u> | <u>Outcome</u> |
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| 20.06.16 (40 mins) | | |
| A10: Capital Programme and Resources 2015/19 | The Assistant Director presented the report which provided details of the outturn of the 2015/2016 Capital Programme and outlined amendments and rephrasing to the spending on schemes, revising the programme for 2016/2020. | <p>RESOLVED: The Committee support the recommendations to Cabinet as follows:</p> <ol style="list-style-type: none"> 1) That Cabinet note the outturn of the Capital Programme for 2015/2016 of £13,924,624. 2) That the financing arrangements for the 2015/2016 Capital Programme be noted. 3) That Cabinet approve the revised 2016/2020 Capital Programme and financing as detailed in the report. |
| A11: Revenue Outturn 2015/16 | The Group Accountant presented the report which set out in summary the revenue outturn of 2015/2016 for the General Fund (council tax accounts). The report showed details of the major differences between actual costs/income and the revised estimates for 2016/2016 reported in February 2016 monitoring. | <p>RESOLVED: The Committee support the recommendation to Cabinet as follows:</p> <p>It is recommended that Cabinet approves:</p> <p>The revenue outturn and proposed transfers to reserves for 2015/2016.</p> |
| 11.07.16 (86 mins) | | |
| A21: Corporate Risk Monitoring Report April 2016 | The Audit Manager presented the report which set out the changes to the Risk Register since the last monitoring report in October 2015 and gave details of the risks falling into the 'Very High' category and the associated work to mitigate the effects. | RESOLVED: The Committee noted the report. |

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| A22: Internal Audit Annual Report and Opinion 2015/16 | The Audit Manager presented the report which provided Members with an overview of the work undertaken by the Internal Audit Section during the 2015/2016 Financial Year and provided an assurance opinion to support the Annual Governance Statement. | RESOLVED: The Committee noted the report. |
| A23: Internal Audit Plan 2015/16 – End of Year Progress Report | The Audit Manager presented the report which showed the Internal Audit activity against the Strategy Audit Plan and fraud work for the second half of 2015/2016. | RESOLVED: The Committee noted the report. |
| A24: Annual Treasury Report | <p>The Group Accountant explained that the Annual Treasury Outturn Report looked backwards at 2015/2016 and covered:</p> <ul style="list-style-type: none"> • The 2015/2016 Treasury Outturn. • Compliance with Treasury Limited. • Outturn Summary. • Implications of the Brexit Vote. | RESOLVED: The Audit Committee noted the Actual Treasury Outturn 2015/2016. |
| A26: Exempt Report: Internal Audit Service | The Assistant Director presented the report that outlined the proposal for the provision of a shared Internal Audit Manager between King's Lynn and West Norfolk Borough Council and Fenland District Council. | RESOLVED: The Audit Committee considered the proposals outlined in the report and supported the preferred option for the provision of a shared Internal Audit Manager with Fenland District Council. |
| 05.09.16 (75 mins) | | |
| A37: Statement of Accounts 2015/2016 | <p>M Hodgson presented the ISA 260 for the year ended 31 March 2016.</p> <p>The Committee received the Statement of Accounts which was the statement of the final accounts set out in a format which included the Council's Balance Sheet and associated notes.</p> | <p>RESOLVED: The Audit Committee</p> <ol style="list-style-type: none"> 1) Considered the comments of the Auditor in the ISA260. 2) Approved the Statement of Accounts for 2015/2016. 3) The Chairman to sign the Statement of Accounts and the Letter of Representation on behalf of the Borough Council of King's Lynn and West Norfolk. |

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| A38: Annual Governance Statement | The Performance and Efficiency Manager explained that the Annual Governance Statement was prepared in accordance with the Accounts and Audit Regulations 2015 and was linked closely to the Statement of Accounts. | <p>RESOLVED: The Audit Committee:</p> <ol style="list-style-type: none"> 1) Confirmed that the 2016 Annual Governance Statement properly reflected the risk environment and that actions required to improve it were in hand. 2) Approved the 2016 Annual Governance Statement and confirmed that the Chairman of the Audit Committee should sign accordingly. |
| A39: Monitoring Officer Report 2015/2016 | The Monitoring Officer presented the Annual Report for 2015/2016 and highlighted that during the year between April 2015 and March 2016 a total of 27 complaints had been received and that in a significant proportion of those cases there was either no breach identified or the members concerned were offered guidance and assistance. No cases had been referred for investigation. | <p>RESOLVED: The Committee noted the Monitoring Officer Annual Report for 2015/2016.</p> |
| A40: Audit Committee Effectiveness Review | The Audit Manager presented the report which reviewed the work of the Audit Committee during the year 2015/2016 and considered if the Committee had effectively fulfilled its role. | <p>RESOLVED: That the Audit Committee:</p> <ol style="list-style-type: none"> 1) Considered the content of the report and decided it accurately reflected the work of the Committee in 2016/2016. 2) Confirmed their agreement to the Chairman taking the report to Cabinet as evidence that the Committee operated effectively. |
| A41: Changes to Arrangements for Appointment of External Auditors | The Audit Manager presented the report which summarised the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/2018 audits. | <p>RESOLVED: The Committee recommended Option 3. The Council to indicate its intention to “opt-in” to the procurement process by Public Sector Audit Appointments Ltd (PSAA), as the national sector Led Body.</p> |

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| 17.10.16 (102 mins) | | |
| A50: Role of the Audit Committee (Training) | The Committee received a presentation on The Role of the Audit Committee from the Auditor. A copy is attached to the minutes. | |
| A51: Presentation from Norfolk Pension Fund | The Committee received a presentation from Alex Younger, Investment and Actuarial Services Manager from the Norfolk Pension Fund Service. A copy is attached to the minutes. | |
| A52: Business Continuity Annual Update | The Environmental Services Manager presented the report which 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. | 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. |
| 28.11.16 (95 mins) | | |
| A62: Annual Governance Statement (Training) | The Committee received a presentation from the Performance and Efficiency Manager on the Annual Governance Statement. A copy of which is attached to the Minutes. | |
| A63: Update on the Annual Governance Statement | The Committee noted the progress with the Action Plan, which consisted of 11 actions. One entry had been completed, the remaining 10 were on track to be completed by the target date of March 2017. | RESOLVED: That the Committee noted the progress made and endorsed the approach being taken to achieve the actions on the Council's 2016/17 AGS Action Plan. |
| A64: Annual Audit Letter for year ended 31 March 2016 | Sappho Powell, Ernst and Young presented the Annual Audit Letter for the year ended 31 March 2016. | RESOLVED: That the Annual Audit Letter for year ended 31 March 2016 be noted. |

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| A65: Mid Year Treasury Report | <p>The Mid-Year review report had been prepared in compliance with CIPFA's Code of Practice, and covered the following:</p> <ul style="list-style-type: none"> • A review of the Treasury Management Strategy. • The Council's capital expenditure (prudential indicators). • An economic update for the first six months of 2016/2017. | RESOLVED: That the Committee reviewed the report and the treasury activity. |
| A66: Audit and Fraud Half Year Progress Report | The Committee received a report which showed the Internal Audit activity against the Strategy Audit Plan 2016/17 and fraud work for April to October 2016. | RESOLVED: That the Committee notes the work completed and was satisfied with the progress against the agreed plan. |
| A67: Risk Register Update | The report presented the changes to the Risk Register since the last monitoring report in April 2016 and gave details of the risks falling into the 'Very High' category and the associated work to mitigate the effects. | <p>RESOLVED: 1) That, the Panel noted the contents of the risk register and confirmed agreement with Management Team's assessment of the risks to the Corporate objectives.</p> <p>2) That a report be presented to the next meeting of the Committee on Business Rates.</p> |
| A68: Review of Financial Regulations | The Audit Manager explained that Section 3 of the Accounts and Audit Regulations 2015 stated that 'A relevant authority must ensure that it has a sound system of internal control which ensures that the financial and operational management of the authority is effective.' The Financial Regulations were last reviewed in 2011/12. | RESOLVED: That the Committee recommends to Cabinet the adoption of the revised Financial Regulations. |
| 13.02.17 (100 mins) | | |
| A78: Treasury Management (Training) | The Committee received a presentation from the Head of Public Sector Treasury Advisory Team. | |
| A79: Treasury Management Strategy 2017/2018 | <p>The Group Accountant presented the report which covered the following areas:</p> <ul style="list-style-type: none"> • Capital Plans, including Prudential Indicators. | <p>RESOLVED: The Committee support the recommendations as set out below.</p> <p>Cabinet is asked to recommend to Council:</p> |

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| | <ul style="list-style-type: none"> • A Minimum Revenue (MRP) Policy. • The Treasury Management Strategy. • An Investment Strategy. | <ol style="list-style-type: none"> 1) The Treasury Management Strategy 2017/2018, including treasury indicators for 2017/2021. 2) The Investment Strategy 2017/2018. 3) The Minimum Revenue Provision Policy 2017/2018. 4) Adopt the revised Treasury Management Practices (TMPs). |
| A80: External Audit Plan | S Powell from Ernst & Young presented the Audit Plan for the year ended 31 March 2017. | RESOLVED: That the Audit Plan be agreed. |
| A81: Certification of Annual Claims and Returns Annual Report 2015/2016 | <p>S Powell presented the report which summarised Ernst & Young's work on certification and assurance for the 2015/2016 claims.</p> <p>The Committee was informed that one error had been detected during the audit.</p> | RESOLVED: The Certification of Claims and Returns Annual Report 2015/2016. |
| A82: Strategic Internal Audit Plan 2017/2022 | K Woodward presented the Audit Plan for the forthcoming five years and which covered areas of the Council where it had been recommended that an audit be undertaken. | RESOLVED: The Committee acknowledged the Internal Audit resources and agreed with the work planned for 2017/2022. |
| A83: Review of Anti-Fraud and Anti-Corruption Strategy, Whistleblowing Policy and Fraud Response Plan | K Woodward explained that there were no major policy changes in the three reports. | RESOLVED: The Committee agreed the changes to the Anti-Fraud suite of documents and recommend approval of the revised documents to Cabinet. |
| A85: Exempt Report: Risk Base Verification Policy Update | The Revenues and Benefits Manager presented the report and responded to questions from the Committee. | RESOLVED: Members noted the Risk Based Verification (RBV) updates in the report. |

AUDIT COMMITTEE WORK PROGRAMME 2017/2018

| DATE OF MEETING | TITLE | TYPE OF REPORT | LEAD OFFICER | OBJECTIVES AND DESIRED OUTCOMES |
|-----------------|--|----------------|---------------------|--|
| 30 May 2017 | Training – How to undertake an Audit | | G Adam | |
| 30 May 2017 | Draft Annual Governance Statement | | V Dunmall | To receive and note the draft Annual Governance Statement 2017. |
| 30 May 2017 | Corporate Risk Register Monitoring Report | Monitoring | V Dunmall | To note the report which presents the changes to the Risk Register since the last report. |
| 30 May 2017 | Internal Audit Annual Report and Opinion 2016/2017 | Annual | K Woodward | To receive the Audit Manager's Annual Report. |
| 30 May 2017 | Internal Audit Full Year Progress Report 2016/2017 | | K Woodward | To note the report. |
| 30 May 2017 | Audit Committee Effectiveness Report | Cabinet | K Woodward | To review the work of the Audit Committee during 2016/2017 and consider if the Committee has effectively fulfilled its role. |
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| 19 June 2017 | Training - Statement of Accounts | | L Gore/ T Cowper | |
| 19 June 2017 | Update – Internal Audit Terms of Reference | | | |
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Agenda Item 15

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| 31 July 2017 | Annual Governance Statement | | V Dunmall | To receive and note the Annual Governance Statement 2017. |
| 31 July 2017 | Statement of Accounts | | L Gore | To approve the Statement of Accounts 2016/2017 |
| 31 July 2017 | External ISA 260 Report | | L Gore | To note the comments of the External Auditor. |
| 31 July 2017 | Monitoring Officer Report 2016/2017 | Annual | E Duncan | To receive the Annual Monitoring Officer Report. |
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| 4 September 2017 | Treasury Outturn Report | | T Cowper | |
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| 27 November 2017 | Internal Audit Half Year Progress Report | Monitoring | K Woodward | To receive the half year progress report. |
| 27 November 2017 | Corporate Risk Register Monitoring Report | Monitoring | V Dunmall | To note the report which presents the changes to the Risk Register since the last report. |
| 27 November 2017 | Mid Year Treasury report | Mid Year | T Cowper | |
| | | | | |
| 12 February 2018 | Strategic Internal Audit Plan | | K Woodward | To provide the Committee with the opportunity to review the proposed Strategic Audit Plan 2017 - 2022 |