

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



# **Audit Committee**

## **Agenda**

**Monday, 3rd June, 2019**

Immediately following the training session for the  
Committee at 5.00 pm

in the

**Council Chamber  
Town Hall  
Saturday Market Place  
King's Lynn**

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



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23 May 2019

Dear Member

**Audit Committee**

You are invited to attend a meeting of the above-mentioned Panel which will be held on **Monday, 3rd June, 2019 at 5.00 pm** in the **Council Chamber, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ** to discuss the business shown below.

Yours sincerely

Chief Executive

**AGENDA**

**1. Appointment of Vice-Chairman for Muncipal Year 2019/2020**

**2. Apologies**

**3. Minutes (Pages 5 - 11)**

To approve the minutes from the Audit Committee held on 11 March 2019.

**4. 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.

**5. 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.

**6. 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

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

**8. Revised External Audit Plan - TO FOLLOW**

**9. Corporate Risk Register (Pages 12 - 27)**

**10. Draft Annual Governance Statement covering the 2018/2019 year (Pages 28 - 73)**

**11. Internal Audit Annual Report and Opinion 2018/2019 (Pages 74 - 81)**

**12. Internal Audit Full Year Progress Report 2018/2019 (Pages 82 - 93)**

**13. Audit Committee Effectiveness Report (Pages 94 - 115)**

**14. Appointment of Members to serve on the Cross Party Working Group which was established during 2018/2019 (Pages 116 - 120)**

Also attached are the following documents:

- Cross Party Working Group – Terms of Reference (Audit Committee to agree).
- For Information: Cross Party Working Group – 17 April 2019.

**15. Committee Work Programme 2019/2020 (Pages 121 - 124)**

To note the Committee's Work Programme for 2019/2020.

**16. Date of Next Meeting**

To note that the date of the next meeting of the Audit Committee will take place on 29 July 2019 at 5 pm in the Council Chamber, Town Hall, King's Lynn.

To:

**Audit Committee:** Mrs J Collingham, J Collop, S Dark, Mrs A Dickinson (Chairman), B Jones, A Kemp, C Manning, D Pope and A Ryves

**Portfolio Holders:**

Councillor B Long - Leader

**Management Team Representatives:**

Lorraine Gore – Executive Director/Deputy Chief Executive

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

|                    |   |
|--------------------|---|
| Item 8:            | Lorraine Gore – Executive Director/Deputy Chief Executive |
| Items 9 & 10:      | Ged Greaves – Senior Policy and Performance Officer       |
| Items 11, 12 & 13: | Kathy Woodward, Shared Internal Audit Manager             |

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

**AUDIT COMMITTEE**

**Minutes from the Meeting of the Audit Committee held on Monday, 11th March, 2019 at 5.00 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ**

**PRESENT:** Councillor G Middleton (Chairman)  
Councillors Mrs J Collingham, J Collop, S Dark, P Hodson, C Joyce, C Manning,  
Mrs K Mellish, J Moriarty, Mrs E Nockolds, D Pope, T Smith  
and T Tilbrook (Vice-Chairman)

**Portfolio Holders**

Councillor A Beales  
Councillor B Long, Leader

**Observing:**

Councillors I Devereux, P Hodson, Mrs K Mellish, Mrs E Nockolds

**Under Standing Order 34:**

Councillor C Joyce

**Officers:**

Lorraine Gore, Executive Director  
Ged Greaves, Senior Policy and Performance Officer  
Ray Harding, Chief Executive  
Matthew Head, Auditor  
Matthew Henry, Property Services Manager  
Cara Jordan, Legal Representative  
Joanne Stanton, Revenues and Benefits Manager

**By Invitation:**

Mark Hodgson, Ernst and Young – External Auditors

A64 **APOLOGIES**

Apologies for absence were received from Dan Cooke, Ernst and Young and Councillor Mrs S Squire.

A65 **MINUTES**

The minutes of Audit Committee meeting held on 28 January 2019 were agreed as a correct record and signed by the Chairman.

A66 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

A67 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

A68 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

Councillor C Joyce for the Risk Based Verification Policy Update for 2019/2020 and the KLIC Review Report.

A69 **CHAIRMAN'S CORRESPONDENCE**

The Chairman reported that he had received emails regarding the agenda items.

A70 **ANNUAL AUDIT PLAN FOR YEAR ENDED 31 MARCH 2019 -  
ERNST AND YOUNG, EXTERNAL AUDITORS**

M Hodgson, Ernst and Young presented the Annual Audit Plan and drew the Committee's attention to the following sections of the report:

- Fraud Risk had been divided into the following two areas: Misstatements due to fraud or error and Incorrect capitalisation of revenue expenditure.
- Finance Team Capacity – the Financial Services Manager who had been the key contact for the audit team in previous year would be leaving the council in March 2019 prior to the preparation of the 2018/19 Statement of Accounts.
- Materiality had been set at £1.71 million, which represented 2% of the prior year's gross expenditure on provision of services plus financial and investment expenditure.
- All uncorrected misstatements relating to the primate statements would be reported to the Audit Committee during 2019.
- Value for Money Risks.
- Reduction in External Auditor fees.
- Ernst and Young Audit Team.

In response to a question from Councillor Moriarty regarding specialists for the valuation of land and buildings, M Hodgson explained that the Borough Council had their own internal valuation team and the external auditors used the Borough Council's in house team. If, however, they disagreed with the Borough Council's team, then Ernst and Young could obtain input from third party specialists.

The Chairman, Councillor Middleton thanked Mark Hodgson for attending and presenting the report.

**RESOLVED:** The Committee received and noted the Annual Audit Plan for year ended 31 March 2019.

A71 **CERTIFICATION OF CLAIMS ANNUAL REPORT 2017/2018**

M Hodgson, Ernst and Young presented the report which summarised the results of the external auditors work on the Borough Council of King's Lynn and West Norfolk's 2017/18 of the housing benefits subsidy claim.

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

- Value of claim presented for certification - £37m.
- The most significant amendment was due to the result of an issued identified by the Council. The council notified the Department of Work and Pensions of an error regarding classification of benefit expenditure on supported housing claims. The external auditors had liaised with the Executive Director Financial Services.
- No materiality was found.

In response to a question from Councillor Tilbrook on the over-claimed subsidy amounting to £191,432, the Revenues and Benefits Manager provided an explanation as to why this technical error had occurred.

**RESOLVED:** The Audit Committee received and noted the Certification of Claims Annual Report 2017/2018.

A72 **DRAFT CODE OF CORPORATE GOVERNANCE**

In presenting the report, the Senior Policy and Performance Officer reminded Members of the terms of reference of the Audit Committee.

Members were informed that the report provided an updated code of corporate governance for consideration. The Code also informed the preparation of the statutory Annual Governance Statement.

In response to questions from Councillor Moriarty, the Senior Policy and Performance Officer explained that the report outlined revisions to the Draft Code of Corporate Governance which included the minor changes to principles. The Committee was advised that the 2016 framework had 7 principles compares to 6 within the 2012 version.

In response to further questions from Councillor Moriarty relating to cultural changed and how this would be delivered and monitored throughout the Council, the Chief Executive referred to the exchange of emails between Councillor Moriarty and himself. The Chief Executive advised that cultural change would be implemented using a variety of methods, which would evolve over the coming weeks.

**RESOLVED:** The Committee:

- 1) Reviewed the draft Code of Corporate Governance.
- 2) Recommended the Code for approval by Cabinet.

A73

**STRATEGIC INTERNAL AUDIT PLAN 2019/2024**

The Audit Manager presented the Internal Audit Strategic Plan 2019/2024 which provided the Committee with the opportunity to review the proposed Strategic Internal Audit Plan for 2019/2024.

Members were reminded that the Audit Manager had to provide an annual internal Audit opinion on the system of internal control to support the Annual Governance Statement.

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

- Purpose of the report.
- Key Issues
- Annual Audit Option.
- Reasons for recommendations.
- Audit Plan for 2019/2020 had been agreed by the Council's Management Team.
- Audit Plan 2020/2024 indicated the work proposed by the Audit Manager for the internal audit function for the next five years which could be subject to change.

The Audit Manager responded to questions relating to:

- Number of contingency days built into the audit plan and how the contingency days were reviewed, which could include bringing forward an audit if considered appropriate.
- Audit of Major Projects
- Regeneration and Economic Development being identifying as medium risk rating.

The Audit Manager to include a title for the number of days spent on each audit in the next report to the Audit Committee.

**RESOLVED:** The Committee acknowledged the Internal Audit resources and agreed the work planned for 2019/2024.

A74

**EXCLUSION OF PRESS AND PUBLIC**

The Chairman, Councillor Middleton invited the legal adviser to outline the reasons why the report was exempt prior to the Committee voted



on the resolution to exclude the press and public from the meeting for consideration of the KLIC Review Report.

The legal adviser explained that the information contained in the report was exempt under a number of paragraphs of Schedule 12A as set out below:

Paragraphs 1 and 2

Officers are named and identifiable.

Paragraph 5

The information relates to the financial assistance provided to an organisation.

Paragraph 7

The information relates to the financial affairs of both an organisation and the Borough Council.

Paragraph 9

The information touches on the potential reacquisition of the leasehold interest.

Paragraph 12

The report contains details of legal advice.

The Chairman and Vice-Chairman commented that they did not wish to exclude the press and public which was the general consensus of the Committee. However, upon legal advice as to why the report was exempt, the Committee voted to exclude the press and public.

The Chief Executive proposed that a redacted version of the report be made public as soon as possible after the Audit Committee. The proposal was agreed by the Committee.

**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 items of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 1, 2, 5, 7, 9 and 12 of Part 1 of Schedule 12A to the Act.

A75

**EXEMPT REPORT: RISK BASED VERIFICATION POLICY UPDATE FOR 2019/2020**

In presenting the report, the Revenues and Benefits Manager explained that the Council introduced Risk Based Verification (RBV) to

assess the risk of fraud and error in new claims for Housing Benefit and Council Tax Support from April 2015. In February 2016 RBV was extended to include changes of circumstance. The report provided an update for the Committee on RBV activity over the past year, and made some minor updates to the RBV policy.

The Revenues and Benefits Manager responded to questions from the Council.

**RESOLVED:** Members noted and agreed the RBV policy and the RBV procedure updates in the report.

A76

**EXEMPT REPORT: KLIC REVIEW REPORT**

The Internal Audit Manager presented the report.

The Committee discussed the report.

At the invitation of the Chairman, Councillor Joyce addressed the Committee under Standing Order 34.

In accordance with Standing Order 33.1 – “A Meeting including a Meeting of a Task Group which has sat continuously for three hours shall be adjourned automatically unless the majority of members present vote to continue to sit” . At 8.00 pm, the Committee voted and agreed to continue the meeting until the debate on the report had concluded.

The Chairman, Leader, Portfolio Holder, Chief Executive, Deputy Chief Executive, Internal Audit Manager and Property Services Manager responded to questions and comments from the Committee.

Question 3 – Appendix B

For clarification the response with reference to no charge is in the context of the question and relates to no third party charge. The Council has made it clear that it has its own charge on the leasehold.

**RESOLVED:** 1) Eastlaw does provide a redacted version of the report for the Council with reasons for redactions, as soon as possible.

2) A cross party working group be established to consider the report, lessons learnt and a way forward and report back to the Audit Committee.

3) The Major Projects Board does establish a report mechanism to enable the Audit Committee to monitor major projects and identify any steps or action required and commence a programme of reviewing each of the large scale projects currently underway.

**RETURNED TO OPEN SESSION**

A77 **COMMITTEE WORK PROGRAMME 2019/2020**

The Committee noted the work programme.

A78 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will be held on 3 June 2019 at 5.00 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn.

**The meeting closed at 8.29 pm**

**POLICY REVIEW AND DEVELOPMENT PANEL REPORT**

|                 |  |   |    |
|-----------------|--|---|----|
| REPORT TO:      | Audit Committee                                    |   |    |
| DATE:           | 3 June 2019  |   |    |
| TITLE:          | Corporate Risk Monitoring Report April 2019        |   |    |
| TYPE OF REPORT: | Monitoring   |   |    |
| PORTFOLIO(S):   | Performance  |   |    |
| REPORT AUTHOR:  | Ged Greaves, Senior Policy and Performance Officer |   |    |
| OPEN/EXEMPT     | Open   | WILL BE SUBJECT TO A FUTURE CABINET REPORT: | No |

**REPORT SUMMARY/COVER PAGE**

|  |
|--|
| PURPOSE OF REPORT/SUMMARY:   |
| <p>This report presents the changes to the Corporate Risk Register since the last monitoring report in October 2018. It gives details of the risks falling into the 'Very High' category and the associated work being progressed to mitigate the effects.</p> |
| KEY ISSUES:  |
| <p>Following the review, the risk scores for 4 entries have been proposed to change. It is also proposed that 4 risks are removed from the register and 2 risks are refocused.</p>   |
| OPTIONS CONSIDERED:  |
| <p>Not applicable.</p>   |
| RECOMMENDATIONS:   |
| <p>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.</p>   |
| REASONS FOR RECOMMENDATIONS:   |
| <p>In order to ensure the Council meets its statutory obligations to ensure that it has 'effective arrangements in place for the management of risk'.</p>  |

**REPORT DETAIL**

**1. Introduction**

1.1 The Risk Management Policy and Risk Management Strategy covering this reporting period were presented to the Audit Committee in February 2016 and approved by Cabinet on 1st March 2016. An updated policy and strategy were approved by Council in April 2019 and the new framework will apply to the next six monthly update that will be reported to the Audit Committee in November 2019. That will enable briefings on the new policy and strategy to be provided for staff and councillors and, subject to timelines, for the register to be aligned with a new corporate business plan.

- 1.2 The Terms of Reference for the Audit Committee include responsibility for monitoring the management of risk. To this end, the committee receives reports on a half-yearly basis on the position of the Corporate Risk Register, with the last one being presented in November 2018.
- 1.3 The Corporate Risk Register is reviewed by executive directors and at Management Team on a 6-monthly basis. 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.
- 1.4 A summary of the changes to the Corporate 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.
- 1.5 Each risk on the register is scored in terms of Impact and Likelihood, according to criteria defined within the Corporate Risk Strategy. The broad definitions and risk matrix are attached for reference in Appendix 2.
- 1.6 The full Corporate Risk Register, as agreed by Management Team, has been provided to the Audit Committee in hard copy, for reference.

## **2. Changes to the Corporate Risk 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 November 2018 are listed below.
- 2.3 Risk rating amendments – increased score
  - 2.3.1 The risk rating scores for four entries on the register have been changed for this update.
  - 2.3.2 *Risk 1.24 – Financial ledger software replacement*

Delays in the original procurement have been further compounded by a longer than anticipated build and unexpected vacancy. The project also impacts upon the delivery of the new leisure services management model covered by Risk 1.25 – Provision of leisure services.

It is proposed to increase the Likelihood score from "Possible" to "Likely". This would change the risk from amber to red on the RAG rating and an action plan is therefore attached.

### 2.3.3 *Risk 1.4 – Due diligence*

Over the last few months a number of high profile projects have received negative publicity. A range of measures are being put in place to mitigate future risk and apply learning to prevent future errors. A member led group is being established to consider the KLIC lessons learnt report and an external inquiry has also been commissioned. Due diligence issues will therefore remain in the spotlight for some time ahead.

It is proposed to increase the Likelihood score from “Unlikely” to “Possible”. This would change the risk from green to amber on the RAG rating.

### 2.3.4 *Risk 2.2 – Empty retail properties/town centre decline*

National retail trends indicate the continued decline of town centres typically evidenced by declining footfall and empty units. National reports suggest an increasing likelihood of this risk which is further compounded by the dampening effect of Brexit uncertainties and major retail businesses rationalizing their operations, entering into administration or seeking a Company Voluntary Arrangement (CVAs).

Mitigation includes the submission of a comprehensive bid to the Future High Streets fund but there is a risk that an award may not be successful or sufficient to meet expectations and/or the challenges of a potential recession or continued patterns of consumer behaviour.

It is proposed to increase the Likelihood score from “Unlikely” to “Possible”. This would change the risk from green to amber on the RAG rating.

### 2.3.5 *Risk 3.3 – Council reputation*

Given recent negative headlines referred to earlier it is proposed increase the Likelihood score from “Possible to Likely”. This would change the risk from green to amber on the RAG rating.

## 2.4 Risks proposed to be removed from the register

2.4.1 Vulnerabilities relating to the following risks are considered to have been reduced to a level where they can be removed from the register:

- *Risk 1.13 - VAT – Trust arrangements* (new company to be operational by 1 July 2019 and related risks minimised)
- *Risk 1.22 - Revenues and Benefits software tender* (system implemented and operational)
- *Risk 1.26 – Fire compartmentalization* (improvement works completed)
- *Risk 4.2 THi 2 Application to the Heritage Lottery Fund* (bid was unsuccessful and ongoing work covered by Risk 4.1 - Improvements to heritage buildings).

## 2.5 Changes in focus of risks

### 2.5.1 *Risk 1.25 – Provision of leisure services*

Since the October 2018, plans for the new leisure delivery model have firmed up supported by a project team, establishing a council company and appointing directors

and the approval of heads of terms for the transition from Alive Leisure to the Council. Members have been engaged via Cabinet and Environment and Community Panel. A handover date of 1 July 2019 is agreed. Work on the new financial ledger is focused on arrangements for the new company Alive West Norfolk.

As the transition date draws closer it is proposed to revise the risk description to:

*Transfer does not progress according to plan leading to damage to service and the quality of the operation resulting in a decline in attendance and income.*

#### 2.5.2 Risk 3.7 - Homelessness Reduction Act 2017

Given progress in preparing for the new duties and responsibilities, it is proposed to revise the risk so that it reflects key demand and financial related issues:

*Increase in demand results in budget overspend for bed and breakfast accommodation.*

### **3. Conclusion**

- 3.1 The Corporate Risk Register continues to be actively monitored by Management Team on a periodic basis.

### **4 Corporate Priorities**

- 4.1 The Corporate Risk Register is aligned with the Corporate Priorities and displayed under the 6 'Priority' headings. Following the borough elections, a new corporate business plan will be developed and the risk register will be aligned with the new priorities.

### **5 Policy Implications**

- 5.1 None.

### **6 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 Personnel Implications**

- 7.1 None.

### **8 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 Equality Opportunity Considerations**

- 9.1 None

## **10 Risk Management Implications**

- 10.1 The council has in place a Risk Management Policy and Strategy. The framework was updated in April 2019 and will be rolled out to inform the next 6 month update. This will be reported to the Audit Committee in November 2019.
- 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 across the authority and is a key document within the governance controls applied within the council.

## **11 Recommendations**

11.1 Members are requested to:

- a) consider the contents of the risk register;
- b) confirm agreement with Management Team's assessment that:
  - i. Increases the risk scores for 1.24 – Financial ledger software replacement, 1.4 – Due diligence, 2.2 – Empty retail properties/town centre decline and 3.3 – Council reputation.
  - ii. Removes risks 1.13 VAT – Trust arrangements, 1.22 Revenues and Benefits software tender, 1.26 – Fire compartmentalization, Risk 4.2 THi 2 Application to the Heritage Lottery Fund.
  - iii. Reframes the risks for 1.25 – Provision of leisure services and 3.7 - Homelessness Reduction Act 2017.

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

12.1 None.

### **Background Papers**

April 2019 Corporate Risk Register

Previous Corporate Risk Registers

Risk Management Policy and Strategy – approved in March 2016



CORPORATE RISK REGISTER MONITORING REPORT  
April 2019

|                                  |  |
|----------------------------------|--|
| <b>Risk name: Business Rates</b> | <b>Responsible Director: Finance Services (s151 Officer)</b> |
|----------------------------------|--|

| 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.</p> <p>Continue to monitor potential areas of risk and work with LGA where possible.</p> <p>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>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 - this is a situation raised across the country and we await further information.</p> <p>Membership of the Business Rates Pool provides some provision to offset some of the impact, should it occur. Reserves have been created to provide some funding protection from the impact on business rates income in the event of the closure of major businesses.</p> <p>The movement in the overall business rates position is monitored on a monthly basis. The Council has responded to consultation on 100% retention arrangements and the s151 Officer has attended workshops. The MHCLG has invited applications for 75% business rates retention for pilots for 2019/20 and the Norfolk submission was successful.</p> <p>NHS Foundation Trusts have initiated legal action and the Council has contributed to the LGA's response. Progress with the legal case is being monitored. Potential impact upon local economy arising from falling investment and spending.</p> |

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|                    |          |    |
|--------------------|----------|----|
| <b>Risk Score:</b> |          |    |
| Impact             | Extreme  | 5  |
| Likelihood         | Possible | 3  |
| Total score        |          | 15 |

CORPORATE RISK REGISTER MONITORING REPORT  
April 2019

|   |  |
|---|--|
| <b>Risk name: Financial ledger software replacement</b> | <b>Responsible Director: Finance Services (s151 Officer)</b> |
|---|--|

| Ref  | Description  | Mitigation  | Progress   |
|------|--|---|--|
| 1.24 | The risk is that:<br>Failure of tender process to procure an appropriate software solution and/or the ability to effectively implement new software in accordance with required timescales, resulting in disruption to service delivery, processing times, impact on Council reputation and ability to meet mandatory financial reporting deadlines. | Adherence to agreed procurement procedures.<br>Allocation of appropriate resources to the project.<br>Knowledge, skills and experience of those working on the project.<br>Use of software provider support.<br>Prioritisation of work programme. | Project team are focused on developing the software for application to the new leisure company. This work is prioritised above other projects. |

|                    |        |    |
|--------------------|--------|----|
| <b>Risk Score:</b> |        |    |
| Impact             | Major  | 4  |
| Likelihood         | Likely | 4  |
| Total score        |        | 16 |

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

- 1.4 – Due diligence
- 1.10 - Fraud and Corruption
- 1.12 - Financial Plan
- 1.25 – Provision of leisure services
- 2.2 - Empty retail properties/town centre decline
- 2.3 – Major housing developments
- 2.4 - 5 Year Land Supply & housing delivery
- 2.5 - Housing Market
- 2.6 - Strategic Land and Property Acquisition
- 2.8 – Accelerated Construction Programme
- 3.1 - Emergency Response (External)
- 3.3 – Council reputation
- 3.5 - Health and Safety

CORPORATE RISK REGISTER MONITORING REPORT  
April 2019

**After March 2019 review**

|               |                     |                    |                     |   |  |               |
|---------------|---------------------|--------------------|---------------------|---|--|---------------|
| LIKELIHOOD    | 5<br>Almost Certain | (Green)            | (Orange)            | (Red)   | (Red)  | (Red)         |
|               | 4<br>Likely         |                    | (Green)             | (Orange)<br>1.25, 2.4, 2.5, 3.3                                   | (Red)<br>1.24  | (Red)         |
|               | 3<br>Possible       |                    | (Green)<br>3.6, 3.8 | (Green)<br>1.2, 1.3, 1.9, 1.17, 1.19, 1.23,<br>2.7, 3.7, 4.1, 6.1 | (Orange)<br>1.4, 1.10, 1.12, 2.2, 2.3, 2.6, 2.8,<br>3.1, 3.5 | (Red)<br>1.16 |
|               | 2<br>Unlikely       |                    |                     | (Green)<br>1.7, 1.11, 1.21, 3.2                                   | (Green)<br>1.1, 1.8, 1.15, 2.1, 3.4b                         | (Orange)      |
|               | 1<br>Rare           |                    |                     |   |  | (Green)       |
|               | 20                  | 1<br>Insignificant | 2<br>Minor          | 3<br>Moderate   | 4<br>Major   | 5<br>Extreme  |
| <b>IMPACT</b> |                     |                    |                     |   |  |               |

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

| Ref   | Title   | Director                                    | The risk is that:   | Current risk score |            |       | Mitigation  | Progress at April 2019  |
|---|---|---|---|--------------------|------------|-------|---|---|
|   |   |   |   | Impact             | Likelihood | Score |   |   |
| <b>Priority 1 - Provide important local services within our available resources</b> |   |   |   |                    |            |       |   |   |
| 1.1   | Business continuity (Internal) Including loss of staff and loss of King's Court | Environment & Planning                      | The Council is unable to meet its obligations as a Category 1 responder under the Civil Contingencies Act 2004 which requires that the Council has effective, organisation wide plans based on risk assessment. In addition the Council appears to be ineffective in times of emergency.  | Major              | Unlikely   | 8     | Business Continuity Corporate Officer Group. Incorporate Business Continuity into Risk Management systems. Develop and test service specific plans across the Council. Disaster Recovery Plan for ICT. Business Continuity Policy and Strategy, Incident Response Plan, Invocation Process and Checklist in place and regularly reviewed. Out of Hours Contact Card. Office 365 deployment. Tests of business continuity plans each year. ICT network and back up improvements to enhance resilience. MHCLG provided additional funding for 2018/19 and 2019/20 for Brexit preparations.  | A Business Continuity Corporate Officer Group continues to monitor, test and, where appropriate, improve existing arrangements. Membership of the Business Continuity Officer Group includes the Property Services Manager (or nominated representative) who is responsible for all the main buildings. Internal Audit have completed a re-visit to check progress with recommended actions from the last audit; progress has been assessed as 'good'. Plan tests conducted: METIS 17 in January 2018; Metis 18 in June/July 2018. Office 365 roll out trialled and approved by ICT Development Group to support evolution of agile working. Bronze plans reviewed over summer 2018. King's Court evacuation plans developed and ICT task group introducing network improvements. Threat cards and Out of hours contact card updated. Critical Incident Team to be reviewed. Biennial review of policy and strategy to be completed May 2019. Brexit no deal scenario - engagement with LRF and assessment of impact upon council services informing service plans for 2019/20 e.g. food safety. Ongoing monitoring of Kier in light of trading updates and administration of several significant outsourcing companies.  |
| 1.2   | Cost Reduction Programme (staff morale & members' expectations).                | Chief Executive                             | The process of cost reduction programme necessary to assist the Cabinet to meet the future budget shortfall could lead to a drop in staff morale and consequently an increase in sickness absence. Members may not fully realise the impact of the necessary budget cuts on the level of service delivery.  | Moderate           | Possible   | 9     | Efficiency Plan. Actively involve staff and Members in designing the cost reduction programme. Maintain open channels of communication on plans/ proposed changes. Keep staff and members informed of how the budget reductions are being managed. Budget monitoring reports.   | An Efficiency Plan and associated cost reduction plan for revenue savings is in place. A Cabinet away day was held with Mgt Team in April 2017 to review the cost reduction programme and corporate projects and to discuss future cost reduction activities. Revenue cost reduction savings for 2017/18 achieved. Progress evident with 2018/19 savings and reviewed with Extended Management Team on 24 July 2018. Savings achieved are reported to Members on a monthly basis within the Budget Monitoring report. Staff absence levels are monitored by Management Team. Progress with the capital programme are reported to Management Team on a monthly basis to enable close monitoring of progress against the agreed plan. Cabinet away day in Autumn 2018 will consider the programme. Staff briefing on council finances held in January 2019. Internal Audit review of cost reduction plan being finalised.   |
| 1.3   | Reputation management   | Central & Community Services                | Poor media reporting of Council activity can adversely affect customer satisfaction and staff morale. The matter is particularly relevant in the light of the cost reduction programme and potential impact on services, where planned communications activities will be crucial. Reputation also affected by external factors over which the Council has little influence. | Moderate           | Possible   | 9     | Media spokespeople are trained. Protocols implemented. Staff trained to spot opportunities and potential threats. Social Media Guidelines and training in place.  | Communications team continues to promote positive news, to respond effectively to media enquiries and to rebut inaccurate reporting. However, social media and the use of cameras on mobile phones etc. have changed the landscape of communications, leading to the need for increasingly quick responses required by agreed spokespeople. Protocols to be updated accordingly to reflect the changing nature. Review of communications, marketing, customer engagement and tourism reported Dec 2018 and implementation underway. Spikes in media attention arising from Leisure services delivery model, H&M development and NWES.   |
| 1.4   | Due diligence   | Chief Executive and all Executive Directors | Increasing pressure on the Council to find alternative ways to deliver service objectives means that new, innovative projects are being considered, which may not generate savings as anticipated or have sufficient staff resources with the required skills to deliver.   | Major              | Possible   | 12    | Capital and Property Investment Strategy approved Jan 2017. Sharing of ideas at Management Team level to allow full consideration of all issues. Use of the pool of knowledge contained in Extended Management Team to act as 'critical friend'. Chief Executive and Executive Director, Finance Services discuss proposals with external auditor on a regular basis. Key statutory officers meet; Head of Paid Service, Monitoring Officer and Section 151 officer. Use of project initiation documents, briefs and business cases. Use of external consultants for specialist advice and capacity e.g. VAT, Treasury management, specific property development expertise. Use of pre-application planning service. Major Projects Board in place to provide more rigorous governance around major capital projects. Additions to governance framework being developed including a new member led body to enhance oversight of major projects and mechanisms to deal with council owned companies. Use of lessons learnt reports and external inquiry to improve practice. | Innovative approaches to opportunities which arise are being developed where the potential to generate income is identified. Implementation following the 2016 service review of Property Services, Regeneration & Economic Development and the Corporate Project teams is complete and the revised structure is being monitored by the Executive Director. There may be a need to engage external specialists if riskier investments are considered where the Council does not have the expertise in-house. Changes to the Prudential Code may impact upon the Council's future investment plans with an emphasis on robust business cases and plans. Norfolk authorities are collaborating on a tender for VAT advice, currently in draft form, issue anticipated end Sept 2018. Governance arrangements for King's Lynn Innovation Centre being reviewed. Treasury Management advice regarding borrowing in light of uncertainties such as Brexit. Emphasis is on robust plans. Project team meetings for key work streams; leisure, major projects, housing companies. Hunstanton seafront project developing with Hemmingway design. Governance improvements being developed to respond to NWES lessons learnt report, notable practice regarding council owned companies and ongoing commercialisation. |

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|      |                       |                                 |  | Impact   | Likelihood | Score |  |   |
|------|-----------------------|---------------------------------|--|----------|------------|-------|--|---|
| 1.7  | Loss of ICT           | Central & Community Services    | The IT system consists of multiple servers. There is potential for the loss of one or more servers e.g. power, fire, mechanical failure.   | Moderate | Unlikely   | 6     | Investment to protect remote sites.<br>Business Continuity Plan - document procedure for loss of ICT server in place.<br>Security policy to ensure data integrity.<br>Replication and manageability of live data storage off-site.<br>Installation of UPS with backup generator to feed an uninterruptible power supply with conditioning to include surge protection to the computer room. Network improvements.<br>Increasing number of applications using cloud technology supported by agile working.  | A second site is now established at Fakenham and key data is replicated there. Work is under way to ensure that staff can access data from home if necessary via Citrix and cloud based systems. There will be a limited number of Citrix licences due to cost constraints (x60). Internal Audit and the Business Continuity Corporate Officer Group are aware of this position and are satisfied that in the event of a disruption or emergency, this is manageable. Business Continuity task and finish group established to review current ICT infrastructure arrangements in light of the potential loss of King's Court; our main offices and the plan for decanting staff to various satellite offices. Phase one of this review has concluded and recommendations agreed at Management Team and the ICT Development Group with the implementation phase underway with a number of more resilient connections now in place.   |
| 1.8  | ICT failure of backup | Central & Community Services    | Failure of backups could lead to loss of data.   | Major    | Unlikely   | 8     | The testing programme of backups. Business resumption plan in place.<br>An off-site storage facility in place.<br>Stand-by facilities to be provided.  | There has been significant investment previously in the back-up system and process of off-site storage. There is a programme in place for backups and the testing of backups. The system has been reviewed and a new tape library has been deployed.  |
| 1.9  | Capacity              | Central & Community Services    | As staffing levels are reduced to a minimum, capacity to cope with major projects, sickness absence and peak holiday periods is compromised resulting in insufficient staff levels to deal with operational matters. | Moderate | Possible   | 9     | Arrangements with other councils.<br>Use of agency and interim staff.<br>Improve staff resilience/ cross training.<br>Service restructures and resulting recruitment and development.<br>Absence management.   | Established training regime to enable colleagues to cover for each other's absences and additional temporary Assistant Director's posts have been created. A Service Review has been completed across Planning and Environmental Health support services to ensure resources are appropriately allocated to priority areas and to establish levels of resilience across teams. The Apprenticeship Levy is utilised to enhance training across the authority. Consideration is given to succession planning in relation to specialist / technical roles by Executive Directors as appropriate. 15 Apprentices were enrolled in September 2017 in accordance with the new apprenticeship scheme. The delivery of capital projects has been strengthened in view of its importance to the Council's financial position. This risk may increase as finances tighten considerably over the next 2/3 years. Comms and marketing review actions being implemented. Service restructures and related recruitment and development activities in Personnel. Management restructure under consideration. |
| 1.10 | Fraud and corruption  | Finance Services (s151 Officer) | The Council, like any other organisation, is vulnerable to fraud and corruption. The Council suffers a loss and/or reputational damage.  | Major    | Possible   | 12    | Audit and Fraud Team dealing with the prevention of fraud and corruption. Strong guidance arrangements and internal controls are in place and regularly tested.<br>Anti-Fraud and Anti-Corruption Strategy, Whistleblowing Policy and a Fraud Response Plan are in place.<br>Fraud and Corruption Risk Assessment.<br>Review of Serious and Organised Crime.<br>National NFI Exercise and the annual Flexible Matching Service Exercise.<br>Debtor/Absconder Tracing.<br>Joint working with the DWP regarding Council Tax Reduction Scheme frauds and other benefit fraud. | Audit and Fraud Team work programmes are in place and progressing. Any instances of potential fraud are dealt with quickly. Audit work plans cover vulnerable areas of risk. The Anti-Fraud and Anti-Corruption Strategy, Whistleblowing Policy and Fraud Response Plan were updated and agreed in February 2017 to ensure they were up to date and reflected current good practice. Shared Audit Manager formally took effect from 1 April 2017 and operating effectively across both authorities with no impact on the delivery of the Council's audit plan. Discussions regarding a potential Counter-Fraud Hub are underway with regional/sub-regional partners. Preventative measures are being developed to reduce the numbers of those in debt and arrears. Interest expressed in a Fraud Data Sharing Pilot with HMRC aimed to reduce the numbers of those in debt and arrears. Fraud and corruption risk assessment underway.<br><u>Participation in national NFI exercises and the annual Flexible Matching Service</u>   |
| 1.11 | VAT                   | Finance Services (s151 Officer) | The Housing Stock Transfer had a potentially significant impact from April 2007 on the Council's ability to reclaim VAT on purchases and could result in a big increase in expenditure (possibly £200k).             | Moderate | Unlikely   | 6     | A contract is in place to obtain specialist VAT planning and advice.<br>De Minimis calculation.  | The de Minimis calculation for 2016/17 was 1.14%, well below the 5% limit. The value for 2017/18 will be determined after final accounts in July 2018. The outcome of the Leisure review may impact upon future de Minimis levels. VAT meeting with advisors and officers held in August 2018. Collaboration with Norfolk authorities on VAT advice services.   |

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|      |                          |                                 |  | Impact  | Likelihood | Score    |  |   |   |
|------|--------------------------|---------------------------------|--|---|------------|----------|--|---|---|
| 1.12 | Financial plan           | Finance Services (s151 Officer) | Balancing income and expenditure for both Revenue and Capital as set out in the estimates will become more challenging. In addition to the current economic climate, within which there is significant pressure to reduce the level of public spending, there are known changes needed to funding streams from 2020, moving from relying on local taxation rather than funding from Central Government. The current Budget Plan assumes challenging levels of savings in revenue costs and increased reliance on investment in major capital projects to provide future revenue income. There is a possibility that assumptions will not be fully met. | Major   | Possible   | 12       | A review of the costs and provision of all services will continue with the aim of reducing costs and if necessary reduce services to match income.<br>Attendance at consultation updates from LGA / MHCLG.<br>Budgets will be monitored/reported against estimates on a regular basis.<br>Balanced and funded budget to 2021/22.<br>Efficiency Plan and multi-year settlement with Government.<br>Capital and property investment strategy and related monitoring process.<br>Planned and unplanned savings transferred to General Fund balance to adapt to reduction in central government funding.<br>Cabinet and Management Team away days to focus on financial management.<br>Budget presentations to council panels. | Target savings for 2017/18 have been achieved and were greater than planned. Planned savings for 2018/19 are on track. All Council Panels received a budget presentation in December 2017 ahead of a revised financial plan for the period through to 2022 being agreed by Cabinet in February 2018. Audit Committee received training on the budget setting process. Clarity of the impact of the Fair Funding Review 2020 and Business Rates Retention awaited and remain a concern. Proposals to fund local government via 75% business rates remain a risk as outlined under 1.16 below. Sector and Treasury Management advice in light of uncertainties such as Brexit.<br>EMT 24 July 2018 considered revised targets. Cabinet away day Autumn 2018. Norfolk bid for 19/20 Business Rates pilot successful. Joint and individual responses submitted to consultation on fair funding settlement and 19/20 settlement. CIPFA consulting on a financial resilience index. Corporate financial model to be developed covering investment schemes.<br>Additional funding received for Brexit preparations (£35,000 split across 18/19 and 19/20). |   |
| 1.13 | VAT - Trust arrangements | Finance Services (s151 Officer) | If subject to an audit, HMRC may not agree that the model used to establish the new leisure arrangements is valid in respect of claiming VAT exemptions.   | Minor   | Unlikely   | 6        | Use of legal and VAT specialists to advise on the requirements to comply with tax regulations.   | The latest VAT health check has been completed with only minor issues raised. The results, together with an action plan, have been presented to both Alive Leisure and Alive Management Boards. A health check was undertaken in August which has been reported to the Board. There were no major findings identified during the check. VAT arrangements considered during the review of leisure delivery options.  |   |
| 1.15 | Pension Fund             | Finance Services (s151 Officer) | The Council is unable to meet all its liabilities in relation to the Norfolk Pension Fund.   | Major   | Unlikely   | 8        | 3 year valuation and 30 year plan. Changes to the contribution rates from employers and average rather than final salary scheme.   | Stabilisation payments have been made. Further payments have been budgeted for in the financial plan. Continue to monitor the scheme.<br>Position fully documented in the annual Statement of Accounts.   |   |
| 23   | 1.16                     | Business Rates                  | Finance Services (s151 Officer)  | 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. | Extreme    | Possible | 15   | Reserves created for measurable risks and membership of the Norfolk Business Rates Pool.<br>Continue to monitor potential areas of risk and work with LGA where possible.<br>Continue working with major businesses to reduce the possibility of closure.<br>VOA has changed its appeal process - now check, challenge and appeal.  | 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 - this is a situation raised across the country and we await further information. Membership of the Business Rates Pool provides some provision to offset some of the impact, should it occur. Reserves have been created to provide some funding protection from the impact on business rates income in the event of the closure of major businesses. the movement in the overall business rates position is monitored on a monthly basis. Norfolk's 75% business rates retention pilot successful for 2019/20. NHS Foundation Trusts have initiated legal action and the Council has contributed to the LGA's response. Progress with the legal case is being monitored. Hospital (Parking Charges and Business Rates) Bill 2017-19 was expected to have its second reading debate on Friday 11 May 2018. However, it was objected to and second reading was to take place provisionally on Friday 15 March 2019. Following further objections, the second reading has now been postponed to a |
| 1.17 | Channel Shift            | Central & Community Services    | The level of required savings will not be achieved if the level of integration of OneVu with the back office systems is not delivered or is delayed. This could impact on service reviews required to identify efficiency savings.   | Moderate  | Possible   | 9        | Engage with the operational staff and systems admin, who understand the back office system.<br>Robust project plans that are monitored independently.  | Work is concentrating on customer facing aspects initially to engage fully with the public and reduce the need for more staff intensive means of communication, such as telephone enquiries. The Hunstanton and Downham Market Offices closed, moving customer contact to telephones/online which are more cost effective methods.<br>Revenues & Benefits have implemented their Civica solution providing integration with their back office. Work is ongoing with Environmental Health to achieve full integration with IDOX. Development of approach to digital inclusion underway.<br>Customer access impact arising from a new waste contract provider under consideration.  |   |
| 1.19 | Cyber security attack    | Central & Community Services    | Data and systems could be compromised by way of ransomware, virus and / or phishing attacks.   | Moderate  | Possible   | 9        | Best practice in regards to the Public Sector Network and Payment Card Industry standards are followed.<br>Necessary firewalls and filtering is in place.<br>Patching is kept up to date.<br>Staff and Members are regularly reminded to be vigilant and not click on links within emails from unknown sources.  | A review of our security measures, in light of the recent large-scale attack was undertaken during May 2017 and appropriate enhancements to security protocols have been made as a result. Furthermore, a new Security Network Access Controller business case will be taken to Corporate Management Team and the ICT Development Group for approval. If successful, this will be implemented thereafter. Norfolk Resilience Forum exercise on cyber-security 31 Jan 2019.<br>Cyber security e-learning for all staff to be rolled out in 2019.   |   |

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|      |  |                                 |   | Impact   | Likelihood | Score  |  |  |  |
|------|--|---------------------------------|---|--|------------|--------|--|--|--|
| 1.21 | Pay Policy                                 | Central & Community Services    | Current Council pay arrangements could be disrupted by changes in the Government's public sector pay policy, having an impact on recruitment and retention of employees and financial implications for the Council.   | Moderate   | Unlikely   | 6      | 9 years of the Government's public sector pay restraint has had an impact on recruitment and retention for some Council services. Government starting to relax its previous public sector pay policy in certain areas which could have a further impact on our ability to recruit and retain suitably qualified and experienced staff in certain areas. This in turn could prompt the need to review local pay arrangements, with associated financial implications.   | Continue to closely monitor the Government's public sector pay policy and pay settlements agreed in the wider public sector/private sector. Provision for some movement in pay costs has been included in the financial plan. Mitigation elements include pay policy, growing our own, succession planning, early recruitment and identification of skills. Pay policy approved at Cabinet 26 March 2019.  |  |
| 1.22 | Revenues and Benefits software tender      | Finance Services (s151 Officer) | Failure of tender process to procure an appropriate software solution and/or the ability to effectively implement new software in accordance with required timescales, resulting in disruption to service delivery, processing times and impact on Council reputation   | Moderate   | Unlikely   | 6      | Adherence to agreed procurement procedures. Allocation of appropriate resources to the project. Knowledge, skills and experience of those working on the project. Other digitalisation projects put on hold pending identification of new supplier - this may have an impact on the ability to achieve predicted savings. Implementation of new system may have an impact on processing times.   | Contract awarded in January 2018 to Civica. Risks initially reduced as Civica is an existing supplier. Implementation plan for 2018 completed and system now live. Revenue savings anticipated through back office integration and development of e-forms. Suggest deletion as project implemented.  |  |
| 1.23 | General Data Protection Regulations (GDPR) | Chief Executives                | Failure of Council to respond to new regulations which come into effect in May 2018   | Moderate   | Possible   | 9      | Eastlaw supporting work to review current arrangements with Service Managers in a timely manner to ensure all necessary changes to systems/procedures are identified and action taken to implement any required changes arising from the regulations. Information governance enhanced with SIRO and Deputy SIRO roles and network of Information Asset Owners and Administrators. Training and development for staff. Internal Audit review of GDPR policy and practice. Document Retention Policy supported by service based Records of Processing Activity in place. | Briefing session for EMT undertaken and followed by individual meetings to review specific service requirements in 2018/19. Deputy SIRO appointed along with a network of information asset owners and administrators in services in place 2018/19. Document Retention Policy approved March 2019. Internal Audit review of GDPR practice and ongoing work with services to enhance practices. Training for key staff taking place on 30 May 2019. Assessment of data transfer issues undertaken as part of Brexit planning - no issues identified.  |  |
| 1.24 | Financial ledger software replacement      | Finance Services (s151 Officer) | Failure of tender process to procure an appropriate software solution and/or the ability to effectively implement new software in accordance with required timescales, resulting in disruption to service delivery, processing times, impact on Council reputation and ability to meet mandatory financial reporting deadlines. | Major  | Possible   | 12     | Adherence to agreed procurement procedures. Allocation of appropriate resources to the project. Knowledge, skills and experience of those working on the project.  | Adherence to agreed procurement procedures. Allocation of appropriate resources to the project. Knowledge, skills and experience of those working on the project. External support from East of England LGA. Tender issued April 2018 resulting with a failed tender notice. Supplier engaged and implementation planned for June 2019 focusing primarily on new leisure company.  |  |
| 24   | 1.25                                       | Provision of leisure services   | Commercial Services   | Transfer does not progress according to plan leading to damage to service and quality of operation and a decline in attendance and income. | Moderate   | Likely | 12   | Due diligence; financial and legal arrangements. Legal advice. Technical expertise bought in where required. Project board established. Strategy, business case, business plan development and management of project risk register. Stakeholder engagement. Communications support. Consideration of VAT issues arising from a change in delivery model. Reports to Cabinet (5 Feb 2019) and Environment and Community Panel (22 Jan 2019) with regard to the transfer of the Leisure Services operation from ALT to the Council. Heads of Terms agreement agreed and aiming for 1 July 2019 handover. Alive West Norfolk council wholly owned company established and directors appointed. Work ongoing to set up financial ledger for new company.   | East of England Talent Bank completed. Review of operations in Trafford and Newark. Workshop on 2 May 2018, meeting with Trustees end April 2018. Cabinet report August 2018 identified a preferred model. Legal advice on future arrangements. Special Cabinet October 2018 considered delivery model. Project Board meeting weekly and managing set up of new company and transition. Financial ledger development focused on the new company ahead of the council. Business plan to be signed off by project board. |
| 1.26 | Fire compartmentalisation                  | Commercial Services             | Elements of King's Court are declared unsafe for habitation based on a fire safety assessment by either the Crown fire officer or BCKLWN's fire officer.  | Moderate   | Unlikely   | 6      | Fire safety assessment undertaken. Property Services undertaking necessary compartmentalisation works in response to assessment.   | Ongoing communication with fire officers and with DWP. The first phase of the fire compartmentalisation works were completed on the 14th September 2018. This included the areas of the recent refurbishment. During these works, other areas were identified and these have now been surveyed and we are waiting the reports and quotations. There is approximately another 2 ½ weeks of works to be completed and we are hoping that these will be complete by the end of October 2018. March 2019 - all works within King's Court are complete, with the exception of a handful of ceiling tiles on the 1st floor which need to be replaced. These were planned to be replaced w/c 4th March, but the contractor was unable to attend site that day. The final works will be completed as soon as possible. April 2019 - works completed. |  |

Priority 2 - Drive local economic and housing growth



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|     |  |  |  | Impact   | Likelihood | Score |  |   |
|-----|--|--|--|----------|------------|-------|--|---|
| 2.1 | Local employment                               | Commercial Services                        | The ability to attract new investment could be adversely affected by potential barriers in the local economy such as availability of premises and levels of skills in the workforce.   | Major    | Unlikely   | 8     | Delivery of an Enterprise Centre and implementation of skills & training initiatives with partners and business sectors. The opening up of employment land at Hardwick and Campbell's Meadows in KL and at St John's Business Estate in Downham Market. Information packs on the local area and to aid recruitment are provided on request. Maintain regular contact with Department for International Trade and market investment opportunities with them. Effectively handle enquires received direct, whether from inside or outside the Borough. Active involvement with New Anglia LEP and Greater Cambridge Greater Peterborough LEP. Enterprise Zone development. | Project funding targeted at raising attainment in local schools from Second Homes money. Land at Downham Market and NORA is actively marketed. The King's Lynn Innovation Centre (KLIC) has high occupancy. A marketing plan for the Nar Ouse Business Park Enterprise Zone implemented. Opening of H&M store delayed but will further strengthen the town centre offer. Gas main diversion completed. Nar Ouse site infrastructure & Phase 1 premises construction progressing with Enterprise Zones tenders received and within budget. LEP financing helps to de-risk the development. Engagement with the BID. Early interest shown by several local companies seeking to expand. Ongoing uncertainty arising from Brexit may delay company investment decisions. |
| 2.2 | Empty retail properties / town centre decline  | Chief Executive and Commercial Services    | Loss of town centre businesses leads to a continued downward spiral resulting in long-term depression of the towns.  | Major    | Possible   | 12    | Continued support to businesses through hardship relief. Active management of lettings and promotion of a positive image of the town to potential businesses. Initiatives to promote the town to visitors, shoppers and businesses. Town Centre Partnership/BID. Transport and town centre studies. Bids for external funding.   | Town Centre Partnership work is ongoing. BID presentation to R&D Panel on 26 June 2018. Roadworks on A47 Saddlebow interchange completed. King's Lynn transport study underway. Working with partners such as the BID and have commissioned a King's Lynn town centre study. Bid to Future High Streets fund 22 March 2019. Future bid to Stronger Towns Fund under consideration. Potential for a town centre strategy/prospectus to emerge from bids but subject to capacity. National retail statistics suggest downward trend in town centre footfall compounded by ongoing economic uncertainty and range of national retailers entering administration and CVA.   |
| 2.3 | Major housing developments                     | Commercial Services                        | Local opposition may result in planning permission not being obtained for the development, leading to contractual problems with the developer.   | Major    | Possible   | 12    | Continue to consult with local groups. Investment in additional sports facilities included in the project. Ongoing monitoring of potential Brexit impact.  | Consultation group no longer active as issues resolved. Work on Marsh Lane is progressing well. Sales progressing on 3 key sites and option for private rented market via West Norfolk Property Ltd. Sales updates reported to CPP and R&D panel. Potential impact from Brexit relating to drop in house prices and demand, supply side issues affecting the construction industry and reduction in rental values. Linked with Risk 2.5 - Housing market.   |
| 2.4 | 5-year land supply and housing delivery        | Environment & Planning                     | The Planning Inspectorate does not agree that the Council has identified an adequate supply of land designated as housing development land for the next 5 years, and consequently this will lead to development approved in areas that the Council does not want developed.  | Moderate | Likely     | 12    | 5 year plan. Work on the LDF to ensure the Council can evidence that sufficient land is available. Also approve applications to boost the supply in the short-medium term.   | The Council currently has a 5-year plan. National policy changes announced Feb 2019 affecting housing land supply, the definition of "deliverable" and appropriate assessment for habitats sites. New housing delivery target of 95%, BCKLWN performance is 91% so an action plan will be developed to meet the shortfall. Planning decisions on large contentious sites may result in a failure to provide a 5 year land supply.   |
| 2.5 | Housing market                                 | Chief Executive                            | Demand in the housing market will fall resulting in the Council being unable to sell all the properties built.   | Moderate | Likely     | 12    | Formation of a Local Authority Housing Company to take over any surplus housing stock to rent out until the market picks up. NORA Phase 4 - proportion of development will be rented properties to be available late spring/summer 2019. A viability review of the market will be carried out before the decision to commence each phase is taken. Additional due diligence from East of England Talent Bank.  | Exit strategy being developed by West Norfolk Property Company for private rented sector properties from major housing schemes. Link with the Accelerated Construction Programme. 7 additional sites being developed and brought forward faster than the original programme. Need to balance market absorption rate across the range of developments. Potential impact from Brexit relating to drop in house prices and demand, supply side issues affecting the construction industry and reduction in rental values.  |
| 2.6 | Strategic land and property acquisition        | Commercial Services                        | The Council has a finite amount of land/properties in its portfolio which will limit future opportunities for development/investment and associated financial return.  | Major    | Possible   | 12    | Continue to identify, and acquire, property/land for future development/investment. Failure to do so leads to the risk of missed opportunities and associated loss of potential income. Major Projects Board in place to assist in coordination and oversight of developments.   | Cabinet has considered reports relating to the acquisition of specific property/investment opportunities in King's Lynn town centre and around the South Gates. Additional member led governance in development. Work ongoing to broaden the range of development tools available to the council including taking options on development sites.   |
| 2.7 | West Winch/North Runcton Strategic Growth Area | Commercial Services/Environment & Planning | Failure to raise sufficient funding to construct the road and related improvements or major delays with scheme design, application and implementation, scheme costs increase significantly following feasibility study. Consequences for housing delivery, new homes bonus, council tax, lost income for services such as leisure, car parking, town centre spend, resident dissatisfaction. | Moderate | Possible   | 9     | Project and programme management approach. Stakeholder engagement. Commissioning technical expertise. Communications support. Norfolk County Council investigating external funding options for the road. Business case being developed with target date of July 2019. Successful bid approved by Norfolk Business Rate Pool. Link with Major Projects Board.  | Project team meetings, meetings with partners, project management approach to scheme development and implementation, use of external support to provide technical support and capacity. Extensive stakeholder engagement with MPs, MHCLG, Homes England, etc. Bid submitted to the Norfolk Business Rates Pool to contribute towards outline planning for the site, to develop a masterplan and an equalisation agreement. Consideration of taking an option on part of the site that will also improve investor interest and deliverability.   |

|     |                                    |                 |   | Impact | Likelihood | Score |   |   |
|-----|------------------------------------|-----------------|---|--------|------------|-------|---|---|
| 2.8 | Accelerated Construction Programme | Chief Executive | Delivery breaches agreed contract terms with Homes England. | Major  | Possible   | 12    | Individual grant per site with staged drawdown of funds to compartmentalise risk.<br>Utilising Modern Methods of Construction.<br>Performance framework agreed with Homes England with quarterly returns.<br>Delivery via Major Development Contract. | Reports to Corporate Performance Panel and a special Cabinet Sept 2018 set out current position and £9.8m funding across 7 sites. Negotiation on contracts and performance framework underway with Homes England.<br>Complicated programme with many externalities outside of council's control. £1m additional funding provided by Homes England.<br>Contracts being finalised.<br>Additional funding sought from Homes England for upscaling MMC development.<br>Due diligence on individual sites in progress. 1 site may be problematic.<br>Output rates higher than traditional build equating to approx 7 units per month compared with 3. Market absorption rate to be considered alongside the major housing development sites. |

**Priority 3 - Work with our communities to ensure they remain clean and safe**

|      |   |  |   |          |          |    |  |   |
|------|---|--|---|----------|----------|----|--|---|
| 3.1  | Emergency response (External)                   | Environment & Planning   | The Borough is vulnerable to the effects of flooding and it is anticipated that the local area will be flooded at some stage.   | Major    | Possible | 12 | Borough Council is a member of the Norfolk Local Resilience Forum (NRF).<br>The NRF work together to develop emergency plans based upon the Norfolk Community Risk Register.   | Active participation in NRF planning and exercising.<br>Emergency plans are in place and were tested in January 2017 for a predicted tidal surge.<br>Participation NRF Brexit related planning.   |
| 3.2  | Community Relations                             | Central & Community Services                                     | Community relations come under pressure, which could result in increased racial tensions within neighbourhoods which can manifest itself in various ways.   | Moderate | Unlikely | 6  | The Council works closely with partner agencies in the area to make sure that any issues are identified and effectively tackled as soon as possible.<br>External funding bids with partners.   | The Council is involved in proactive work through the West Norfolk Partnership.<br>Council works closely with the police and Freebridge in Safer Neighbourhood action panels and the neighbourhood officers are now a formal part of the joint Operational Partnership Team.  |
| 3.3  | Council Reputation                              | Chief Executive<br>Environment & Planning<br>Commercial Services | An avoidable incident occurs which could result in the council's reputation being adversely affected, resulting in loss of confidence from the public. Such incidents could relate to HMO's, food safety, leisure activities, asbestos, legionnaires disease  | Moderate | Likely   | 12 | Proactive inspection and enforcement programmes.<br>Appropriately qualified and experienced staff employed.<br>Training programmes for relevant staff.<br>Incident Response Plan.<br>Liaison with external audit.<br>Use of independent inquiry and publication of lessons learnt reports - leading to enhanced policy and practices to reduce future risks and errors.<br>Communications support.   | Key activities have been identified as part of the service planning.<br>Staff qualifications and any resulting training requirements are reviewed as part of the PRP process.<br>Inspection and enforcement regimes are in place and monitored for performance and records kept.<br>Risk assessments undertaken where appropriate.<br>Leisure project group established.<br>Incident Response Plan briefings held summer 2018.<br>Chalcroft Ltd and KLIC/NWES impacted upon reputation - independent inquiry initiated.   |
| 3.4b | Procurement of new Waste and Recycling Contract | Commercial Services  | The procurement process could fail to identify a suitable contractor and/or the potential savings that can be achieved through a joint procurement process with partners could fail to be realised  | Major    | Unlikely | 8  | Adherence to agreed procurement procedures.<br>Allocation of appropriate resources to the project including project team and document sharing platform.<br>Knowledge, skills and experience of those working on the project.<br>Meetings of 3 partners to manage the procurement process.<br>Procurement timetable: OJEU noticed published 27 Feb 2019, tender submission deadline 3 June 2019, contract award Oct 2019, NNDC commence April 2020, BCKLWN commence April 2021<br>Project group established to manage transition in west Norfolk. | Joint procurement process for the new contract was agreed by Cabinet in August 2017.<br>Tender opportunity published April 2019, contract will be awarded summer 2019 and new contract will commence 2021 and operate for eight years in west Norfolk.  |
| 3.5  | Health and Safety                               | Environment & Planning   | Compliance with Health & Safety legislation relevant to the Council's activities is a mandatory requirement. Failure to comply with H&S requirements can lead to injury and ill health to employees and the public at large who might be affected by Council activities. Compliance failure can also lead to enforcement action by the Health and Safety Executive. | Major    | Possible | 12 | Health, Safety & Welfare General Policy in place.<br>Corporate H&S Action Plan reviewed by Management Team and Joint Safety & Welfare Committee on a regular basis.<br>A training programme is ongoing to raise awareness.<br>External assessments are carried out to identify any risks.<br>Corporate Officer Group- Health and Safety  | All areas within Alive Leisure are externally audited for H&S compliance by Right Directions.<br>Staffing changes implemented in 2018/19 and responsibility moved to Env Health - Commercial.   |
| 3.6  | Modern Slavery                                  | Central & Community Services                                     | An emerging national issue has local impacts within the Borough given its demographic and economic profile.   | Minor    | Possible | 6  | Partnership networks. Safeguarding policy and referral mechanism.<br>Staff training and development. Support with intelligence gathering and enforcement. Communications support.  | Continue to work closely and proactively with partner agencies to identify and tackle issues effectively. Links between key services such as Community Safety, Homelessness, Revenues & Benefits and Environmental Health. Clear and robust safeguarding policies in place to identify and support those affected. Consistent and co-ordinated operational partnership approach to deal effectively with reports and disclosures as they arise, with consideration of the potential impact of public service intervention. Share information about perpetrators and victims as effectively as possible. Training and development to raise awareness. Raise with safeguarding network to clarify county-wide response. |

|     |                                 |                  |  | Impact   | Likelihood | Score |  |   |
|-----|---------------------------------|------------------|--|----------|------------|-------|--|---|
| 3.7 | Homelessness Reduction Act 2017 | Chief Executive  | Increase in demand results in budget overspend for bed and breakfast accommodation.  | Moderate | Possible   | 9     | Staff capacity. Training and development programme on new responsibilities. ICT development to support case management. Support commissioned from voluntary and community sectors. Partnership and network arrangements. Communications support. Accommodation options improved by Broad Street. | Resources improved within Housing Options with 2 additional posts. 2 providers commissioned to provide support services. External funds at risk going forward given continued pressure on public sector finances. Training and development for appropriate staff to be commissioned. Referral processes and documentation under development. Homelessness Strategy and Policies in place. Partnership arrangements and referral mechanisms. Assessments of vulnerability to be undertaken. Case management software under development. SLAs with local voluntary and community groups. Housing investment programme to develop more affordable homes via council owned companies. Learning from professional networks. Partner investment in additional resources. Rising spend on bed and breakfast accommodation may exceed budget. |
| 3.8 | New regulations regarding HMOs  | Chief Executives | Failure to prepare for the implementation of the new regulations leading to service failure and criticisms of the Council by tenants, landlords, etc | Minor    | Possible   | 6     | Staff capacity. Training and development programme on new responsibilities. ICT development to support case management. Support commissioned from voluntary and community sectors. Partnership and network arrangements. Communications support.   | Resources improved within Housing Options with 2 additional posts. 2 providers commissioned to provide support services. External funds at risk going forward given continued pressure on public sector finances. Training and development for appropriate staff to be commissioned. Learning from professional networks.   |

#### Priority 4 - Celebrate our local heritage and culture

|     |  |                     |   |          |          |    |  |  |
|-----|--|---------------------|---|----------|----------|----|--|--|
| 4.1 | Improvements to heritage buildings             | Commercial Services | Funds will not be available to carry out the improvements to the heritage buildings needed to increase the attractiveness of the town | Moderate | Possible | 9  | Identify and apply for relevant 3rd party funding. Most large investment projects for historic buildings have already been completed in the past. Ensure provision is made in the Capital and Property Investment Strategy and Financial Plan to enable the Council to meet any fund matching required by 3rd party funding. HAZ Programme Manager in place. | A 'cultural prospectus' was developed to enable the Council to align its strategy with those of the LEP's, Arts Council and HLF. This work was completed as a pre-requisite to further funding bids in Spring 2018. To raise our profile with the Arts Council we have entered into a service level agreement with the Norfolk Museum service to develop actions arising from the cultural positioning statement. Other relevant activities are being organised with Creative Arts East and Collusion. HAZ Programme Manager commenced Sept 2018. Update provided to R&D Panel on 12 March 2019. Consideration of a revised bid to the HLF in Autumn 2019 based upon an improved funding model. Discussions with potential investor ongoing. |
| 4.2 | THi 2 Application to the Heritage Lottery Fund | Commercial Services | Important parts of King's Lynn continue to be in a dilapidated state giving a very poor image of the town                             | Major    | Possible | 12 | The proposals have been discussed with the HLF who have indicated support. The Council's first THi scheme in St Margarets ward has been seen as successful by the HLF.   | The application to the HLF will be submitted in December 2018 for a Stage 1 decision in Spring 2019. Delete as the bid was unsuccessful and ongoing work is included in risk 4.1.  |

#### Priority 5 - Stand up for local interest within our region

#### Priority 6 - Work with our partners on important services for the borough

|     |                                  |                 |  |          |          |   |  |   |
|-----|----------------------------------|-----------------|--|----------|----------|---|--|---|
| 6.1 | Conflicting aims (with Partners) | Chief Executive | The aims of our partners do not fully match the Council's aims resulting in a failure to optimise the use of collective resources. | Moderate | Possible | 9 | Clarify and agree with partners what the common targets are and how achievement of them will be recognised. Terms of Reference or SLA's are agreed for each group to define the aims and respective roles and focus on core services plus specific projects. Ensure active participation on relevant Boards/ Groups. | Core membership and terms of reference for the West Norfolk Partnership have been refreshed in early 2017. Multi-agency Active Lives meeting in July 2018 to consider Borough participation rates and agreement at West Norfolk Partnership to initial priorities. CAN - SLA focused on Universal Credit in rural areas; Freebridge SLA focused on anti-social behaviour. Health and Wellbeing Strategy sign off via E&C Panel and Cabinet Oct/Nov 2018. District council sub-group informing Health and Wellbeing Board proposals. |
|-----|----------------------------------|-----------------|--|----------|----------|---|--|---|

**POLICY REVIEW AND DEVELOPMENT PANEL REPORT**

|                 |  |   |    |
|-----------------|--|---|----|
| REPORT TO:      | Audit Committee  |   |    |
| DATE:           | 3 June 2019  |   |    |
| TITLE:          | Draft 2019 Annual Governance Statement – covering the 2018/19 financial year |   |    |
| TYPE OF REPORT: | Monitoring   |   |    |
| PORTFOLIO(S):   | Leader   |   |    |
| REPORT AUTHOR:  | Ged Greaves, Senior Policy and Performance Officer                           |   |    |
| OPEN/EXEMPT     | Open   | WILL BE SUBJECT TO A FUTURE CABINET REPORT: | No |

**REPORT SUMMARY/COVER PAGE**

**PURPOSE OF REPORT/SUMMARY:**

The Terms of Reference of the Audit Committee<sup>1</sup> state:

*“The main areas of responsibility for the Audit Committee will be to:*

- a. Monitor the Council’s responsibilities under the Accounts and Audit Regulations 2011, and approve the Statement of Accounts.*
- 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.”*

This report brings the council’s draft Annual Governance Statement (AGS) 2019 to the committee for review, challenge and an opportunity to input prior to the document being finalised and considered at the committee’s meeting in July 2019.

The preparation and publication of the AGS is a statutory requirement<sup>2</sup>. The document 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 AGS is attached at Appendix A.

**KEY ISSUES:**

1. CIPFA<sup>3</sup> 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 of the report refers to the draft Action Plan devised for the 2019/20 year (shown on the final page of the document)
3. Input has been collated from executive directors, service managers and Internal Audit for the draft statement
4. External Audit will review the final version prior to the final version coming to the Audit Committee in July 2019.

**OPTIONS CONSIDERED:**

Options do not apply; the council must prepare, approve and publish a statement.

**RECOMMENDATIONS:**

The committee is invited to:

<sup>1</sup> As agreed by Full Council in June 2016

<sup>2</sup> Accounts and Audit Regulations 2015, regulation 6(1)

<sup>3</sup> Chartered Institute of Public Finance and Accountancy

1. Review the draft Annual Governance Statement 2019 (as attached) and determine whether the work undertaken to review the governance arrangements in place during the 2018/19 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 2019.

**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 2019.

**REPORT DETAIL**

**1. Introduction**

1.1 The council's updated Code of Corporate Governance will be considered by Cabinet on 18 June 2019 and sets out seven core principles of good governance. These 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 are:

Principle 1 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Principle 2 Ensuring openness and comprehensive stakeholder engagement.

Principle 3 Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Principle 4 Determining the interventions necessary to optimise the achievement of the intended outcomes.

Principle 5 Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Principle 6 Managing risks and performance through robust internal control and strong public financial management.

Principle 7 Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

1.2 The extent to which the council adheres to these principles is described in the Annual Governance Statement (AGS).

1.3 The preparation and publication of the 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 Annual Governance Statement**

- 2.1 The draft AGS has been produced in accordance with relevant guidance and notable practice and a comprehensive review has taken place to ensure that the suggested areas are included in the council's AGS for 2018/19. The format differs slightly from the previous year's due to the framework of the revised Code of Corporate Governance.
- 2.2 As the document is being brought to the Audit Committee in a draft form, a minor amount of information remains to be clarified and this is highlighted in yellow. As in previous year's this will be completed during the preparation of the final version.
- 2.3 Sections 1 and 2 are broadly the same as earlier editions of the AGS, these are 'introductory sections'.
- 2.4 Section 3 sets out the seven key principles of our Code of Corporate Governance.
- 2.5 Sections 4 through to 10 are the main body of the document and use the seven key principles as headings with detailed content to reflect practices during the year under review.
- 2.6 Section 11 describes how the council has discharged its responsibility to review the effectiveness of its governance framework including the system of internal control.
- 2.7 Section 12 draws attention to the 'Areas of special interest in terms of governance' that the council has in place. These are significant changes such as the establishment of council owned companies e.g. Alive West Norfolk.
- 2.8 Section 13 covers 'Known Changes in the 2019/20 year'.
- 2.9 Section 14 refers to the Action Plans devised for the 2018/19 year (see Appendix B of the draft AGS) and for the year ahead 2019/20 (see Appendix C of the draft AGS).
- 2.10 The development of the draft AGS, and the consultation process, has engaged service managers and executive directors. In particular, input has been obtained at this stage from the Internal Audit Manager, the S151 Officer and the Policy, Performance and Personnel Manager.

## **3. Issues for the committee to consider**

- 3.1 The following areas have been identified as aspects 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, the AGS is a 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 2019 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 overall control framework and will provide reasonable assurance once adopted in July 2019 (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 inputting at a draft stage to help maintain 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 Annual Governance Statement 2019 (as attached) and determine whether the work undertaken to review the governance arrangements in place during the 2018/19 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 2019.

## **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

Council Constitution



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



# Annual Governance Statement 2019

Covers the 2018/19 financial year

## **1. Scope of responsibility**

- 1.1 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.
- 1.2 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. The code is on our website at [www.west-norfolk.gov.uk](http://www.west-norfolk.gov.uk). The code was reviewed by Audit Committee during 2018/19.
- 1.3 This Annual Governance Statement explains how the 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**

- 2.1 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.
- 2.2 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.
- 2.3 The governance framework has been in place at the council for the year ended 31 March 2019 and remains in place to date.

## **3. Key principles of our governance framework**

- 3.1 The council's governance framework is made up of the many systems, policies, procedures and operations we have in place to help realise the following principles:

|             |   |
|-------------|---|
| Principle 1 | Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law. |
| Principle 2 | Ensuring openness and comprehensive stakeholder engagement.   |
| Principle 3 | Defining outcomes in terms of sustainable economic, social and environmental benefits.                          |
| Principle 4 | Determining the interventions necessary to optimise the achievement of the intended outcomes.                   |
| Principle 5 | Developing the council's capacity, including the capability of its leadership and the individuals within it.    |
| Principle 6 | Managing risks and performance through robust internal control and strong public financial management.          |
| Principle 7 | Implementing good practices in transparency, reporting and audit, to deliver effective accountability.          |

3.2 The table at Appendix A lists the types of evidence that will demonstrate how the principles of corporate governance have been upheld during the 2018/19 year.

3.3 Sections 4 to 10 summarise how we have sought to comply with the seven principles.

#### **4 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law (Principle 1).**

##### **4.1 *Behaving with integrity.***

4.1.1 The council has adopted a constitution which sets out how the council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable. The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The council reviews the Constitution to incorporate any necessary changes. The constitution was amended in January 2019 following minor amendments to the scheme of delegation to take account of an additional area of responsibility, and to provide the Chief Executive with a formal Deputy Returning Officer and Electoral Registration Officer.

4.1.2 Roles and responsibilities of members and officers are set out clearly in the constitution. The council has adopted a number of codes and protocols that govern both member and officer activities. These are:

- Members Code of Conduct and guidance
- Officers Code of conduct
- Member / officer protocol
- Members' declarations of interest
- Register of gifts and hospitality
- Contract Standing Orders
- Code of Corporate Governance

- 4.1.3 Additionally, the council appoints a number of committees and panels to discharge the council's regulatory and scrutiny responsibilities. These leadership roles, and the delegated responsibilities of officers, are set out in the Constitution.
- 4.1.4 The council's Scheme of Delegation designates the Chief Executive as the council's Head of Paid Service. The Scheme of Delegation sets out the remit of elected member Portfolio Holders and the extent of delegations made to committees and officers under the principle that decisions should be made at the lowest or most local level consistent with the nature of the issues involved. The council also has Financial Regulations, Contract Standing Orders relating to contracts in place and all of these procedural documents are regularly reviewed.
- 4.1.5 It is the function of the Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting the Chief Executive and Deputy Chief Executive (S151 officer), she will report to the full council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- 4.1.6 The Monitoring Officer, is provided through the Council's arrangements with Eastlaw for the provision of legal services and provides advice on legal compliance. All decisions made by Cabinet and Council are on the basis of reports, including assessments of the legal and financial implications, and consideration of the risks involved and how these will be managed. The financial and legal assessments are considered by the S151 Officer and the Monitoring Officer respectively.
- 4.1.7 The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The council reviews the Constitution regularly to incorporate any necessary changes.
- 4.1.8 The Code of Corporate Governance was reviewed in 2018/19 and, in March 2019, the Audit Committee recommended it for approval by Cabinet. This updated version reflects the Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016).
- 4.1.9 The [Members' Code of Conduct](#) sets out requirements for all councillors and co-opted members. Every member and co-opted member of the Borough Council of King's Lynn and West Norfolk must sign an undertaking to observe the Code.
- 4.1.10 Further measures include:
- Principles and values are covered in the induction programmes for elected members and officers and outline the standard of behaviour expected.
  - Each member of staff has an annual appraisal which considers performance and objectives, areas of development and competencies.
  - Values are reinforced via content within the regular staff briefing Internal Affairs and Members Bulletin. These are supplemented with media releases on matters such as long service awards.
  - Contract Standing Orders identify roles and responsibilities for officers and promote the highest standards of integrity, fairness, openness and transparency.

- The members and officers code of conduct refers to a requirement to declare interests. Declarations of interest are made at each committee meeting and recorded in minutes.
  - The committee meetings are conducted in an appropriate manner with training provided for committee chairmen and vice-chairmen and other members where relevant.
- 4.1.11 The council's Standards Committee met twice during 2018/19 considering a consultation on ethical standards (April 2018) and an investigation against a borough councillor (19 July 2018). The investigation identified a breach in the council's code of conduct and the councillor was censured and removed from committees and outside bodies.
- 4.1.12 Several registers are in place covering interests and gifts/hospitality.
- 4.1.13 A whistleblowing policy is in place and provides protection for individuals raising concerns. This policy has also been provided to the public, staff, partners and contractors.
- 4.1.14 A complaints policy is in place and **x** complaints regarding behaviour/conduct were recorded in 2018/19.
- 4.1.15 The council has in place key documents which communicate the standards of behaviour required of members and all council staff (officers). All relevant policies are published on the council's intranet or on the personnel system CIPHR and where required published on the council's website. These include the:
- Anti-Fraud and Anti-Corruption Strategy
  - Data Protection Policy
  - Data Quality Policy & Strategy
  - Disciplinary / Grievance procedures
  - Employee Handbook (includes employee code of conduct)
  - Fraud Response Plan
  - Health, Safety & Welfare General Policy
  - ICT Asset Management Policy
  - ICT Computer Usage Policy
  - ICT Corporate Email Policy
  - ICT Corporate Internet Policy
  - ICT Security Policy
  - Information Risk Policy
  - Members Code of Conduct
  - Members Code of Good Practice for Planning
  - Procurement Strategy
  - Protocol for Member/Officer Relations
  - Record Retention and Disposal Policy
  - Register of Disclosable Pecuniary Interests
  - Risk Management Policy
  - Safeguarding Policy
  - Whistleblowing Policy
- 4.1.16 The following codes and policies were approved in 2018/19:
- Members Code of Good Practice for Licensing, Cabinet, June 2018.
  - Health, Safety and Welfare Policy, Cabinet, May 2018
- 4.1.17 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.

- 4.1.18 The Baseline Personnel Security Standard (BPSS) continues as 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.
- 4.1.19 The Performance Management Framework also describes how staff performance, including conduct, is managed. The staff performance related pay scheme was reviewed later in the year and trialled new grades. All employees have detailed job descriptions and person specifications.
- 4.1.20 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 InSite.
- 4.1.21 Following the approval of a revised Equalities Policy a training programme will be developed during 2019.

#### **4.2 Demonstrating strong commitment to ethical values.**

- 4.2.1 An Internal Audit review of "Ethical culture" in 2018/19 received a full assurance rating demonstrating the council's strong commitment to ethical values.
- 4.2.2 The council has a Code of Conduct for elected and co-opted members, a Code of Conduct for employees and a Local Code of Corporate Governance that provides guidance for officers and members on expected standards of behaviours to ensure integrity.
- 4.2.3 Members receive training on standards arrangements, declarations of interests and the Code of Conduct as part of the authority's discharge of its statutory duty to promote and maintain high standards of conduct by its members.
- 4.2.4 The Code of Conduct focuses upon the Nolan principles of conduct in public life of selflessness, integrity, objectivity, accountability, openness, honesty, and leadership. It sets an objective, non-political and high standard whose purpose is to remind members of the behaviour expected of them in public life and to set out clearly the key principles against which their conduct is measured.
- 4.2.5 The Monitoring Officer works closely with the Standards Committee and Independent Person on any complaints regarding the potential breach of the Code of Conduct by members. Complaints are handled in accordance with the authority's arrangements for dealing with standards allegations under the Localism Act 2011 and the outcome of such investigations are published on the council's website.
- 4.2.6 There were no identified cases of corruption or misuse of power in 2018/19.
- 4.2.7 There are a range of personnel policies which foster a commitment to strong, ethical behaviour. For example, the annual appraisal process provides a means of considering values and ethical behaviour. A key aim of the process is to provide employees with a clear understanding of what is expected of them in their job and

how this links to corporate and service objectives. The process drives learning and development activities across the organisation.

- 4.2.8 Other related policies include the Disciplinary and Dismissal Procedure, Anti-Fraud and Anti-Corruption Strategy.
- 4.2.8 The terms of reference for the West Norfolk Partnership set out that the borough council provides policy and coordination support to West Norfolk Partnership via the partnership's strategy and governance groups. Robust governance is ensured as the council's input is subject to its internal controls and financial regulations and therefore the processes through which decisions are taken and implemented are in accordance with good practice.
- 4.2.8 The council has a number of service level agreements with external organisations to deliver services that help to improve the quality of life and provide support for communities. The recipient of the grant must comply with the council's Equality Policy, Health and Safety Policy and Safeguarding Policy. With regards to safeguarding, the council will apply its safeguarding risk assessment in circumstances where it is considering providing funding or a grant to an organisation whose work involves children, young people or adults at risk of harm.
- 4.2.9 Officers involved in the procurement process must attend the "Introduction to Effective Procurement" training. Other mandatory courses relate to particular roles in the procurement process including "Specification Writing and Selection of the Successful Contractor" and "Effective Contract Management".

#### **4.3 *Respecting the rule of law.***

- 4.3.1 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. The statutory officers – Head of Paid Service, Monitoring Officer and Section 151 officer – are in post to monitor and ensure adherence.
- 4.3.2 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.
- 4.3.3 Statutory guidance is followed and tested through the work programme of Internal Audit. The work programme is agreed by Management Team and reported to Audit Committee.
- 4.3.4 Widespread training for staff continued in 2018/19 to inform and support the council's response to the General Data Protection Act Regulations.
- 4.3.5 Eastlaw and the Deputy Senior Information Risk Officer have worked with service managers to review the implications for their areas of responsibility to inform planning for any changes that may be required, helped identify data and records management

issues and with completion of statutory registers including the Article 30 records of processing activities. An officer Information Governance Group was established in 2018/19 to support this corporate work.

- 4.3.6 The Record Retention and Disposal Policy was reviewed in 2018/19 and approved by cabinet in March 2019 to ensure conformity with the GDPR, working practices and new UK legislation. An Information Risk Framework has also been embedded.
- 4.3.7 Job descriptions and person specifications refer to specific requirements to discharge duties regarding specific legislation.
- 4.3.8 The council is also compliant with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government (CIPFA, 2015).
- 4.3.9 The terms of reference for committees include relevant legislation and the support provided to committees helps to create the conditions whereby the council is able to fulfil its responsibilities in accordance with legislative and regulatory requirements.
- 4.3.10 Committee reports provide a record of advice provided by officers and are supplemented by specialist external reports where required.
- 4.3.11 Policies and procedures relating to anti-fraud and corruption are in place to ensure that these issues are identified and dealt with. Internal Audit include this within their assurance work and there have been no identified cases in 2018/19.
- 4.3.12 Following changes in legislation, the following policies were refreshed in 2018/19:
- Record Retention and Disposal Policy
  - Information Risk Policy
  - Data Protection Policy
- 4.3.13 The council remained 'Payment Card Industry (PCI) Compliant' in 2018/19; 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.
- 4.3.14 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 group which for the 2018/19 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.
- 4.3.15 There were 6 data breaches in 2018/19; all minor and therefore not reported to the ICO. These were dealt with in accordance with the council's Data Protection Policy. The Information Commissioner has taken no action against the council.
- 4.3.16 Each service manager is required to submit an annual data quality sign off sheet.
- 4.3.17 An annual programme of internal audit is agreed with Management Team and approved by Audit Committee.



## **5. Ensuring openness and comprehensive stakeholder engagement (Principle 2).**

### **5.1 Openness.**

- 5.1.1 The council has an open culture demonstrated by its work on transparency, the leadership style of officers and members, the use of regular team briefings and supervision meetings, staff and member bulletins, an annual briefing on the budget and publication of information on the intranet and website.
- 5.1.2 Meetings are open to the public except where personal or confidential matters are being discussed. In addition, senior officers of the council can make decisions under delegated authority – the extent of these delegations is set out in the Constitution.
- 5.1.3 Key decisions are generally taken in an open environment and supported by concise officer reports supported by additional documents such as business cases, equality impact and risk assessments, prior scrutiny by policy review and development panels. A number of officer project boards have embraced programme and project management principles to structure decision making and project review. Examples include the Major Projects Board and Leisure Project Board.
- 5.1.4 The Annual Governance Statement and Financial Accounts provide a form of annual report and these are considered in an open meeting of the Audit Committee.
- 5.1.5 A wide range of information is available via the council's website. This includes a Freedom of Information Act publication scheme. A wide variety of datasets are published within a "transparency" section and include data such as salaries, spending, grants, parking, assets and management information.
- 5.1.6 The "MyAccount" and "MyRevenues" online accounts enable customers to access their information and service requests via the council's website.
- 5.1.7 Committee meetings are timetabled a year ahead and have published agendas, minutes and reports which are available prior to the date of the meeting. These reports document the professional advice provided in reaching decisions.
- 5.1.8 Decision making protocols are set out in the Constitution.
- 5.1.9 A report pro-forma is used for reports to committees and to the internal Management Team.
- 5.1.10 Regular discussions between members and officers clarify the information needs of members to support decision making. The list of key decisions and committee work programmes provide further information on timescales.
- 5.1.11 The flow of information for committees is supported by a calendar of dates for submitting, publishing and distributing timely reports.

### **5.2 Engaging comprehensively with institutional stakeholders.**

- 5.2.1 The council works in partnership with a wide range of organisations to deliver its aims, policies and objectives. These include council owned companies, commercial partners, contractors, grant funded community groups, statutory consultees, regulators, commercial services, other public services, commercial tenants and so on.

- 5.2.2 The council has an active communications programme engaging with local media, residents and other stakeholders over a range of traditional and digital channels.
- 5.2.2 Work to develop a new internal communication strategy is ongoing. An internal review in 2018/19 recommended a number of enhancements to the council's communications activities and are leading to changes in staffing and roles.
- 5.2.3 A Statement of Community Involvement outlines how the council will involve the community on planning decisions. A stakeholder management plan is being developed for a strategic housing growth area in West Winch/North Runcton. A large number of organisations are involved in this strategic site via a new housing access road and the infrastructure development plan.
- 5.2.4 Engagement approaches are bespoke to their purpose rather than rigidly adhering to a standardised approach. A number of consultation activities were held in 2018/19 including [Nelson Quay regeneration](#) and [Hunstanton seafront](#). These engaged a wide variety of stakeholders.
- 5.2.5 The first [West Norfolk Wins](#) lottery draw took place on 26 May 2018 and now involves 65 local good causes and has helped to raise over £34,000. The council is a member of Gamble Aware which funds research, prevention and treatment services to help to reduce gambling harms. The lottery is administered by Gatherwell Ltd who operate over 50 local authority lotteries. An annual review of the lottery was presented to Environment and Community Panel in April 2019.
- 5.2.6 The West Norfolk Partnership has continued to promote the borough via its "Love West Norfolk" campaign. This has engaged a wide range of local organisations across different sectors within the borough and a number of local key influencers.
- 5.2.7 Norfolk Resilience Forum (a group of public services, emergency services, utility companies, armed forces and key voluntary groups) has undertaken preparatory work for a no deal Brexit scenario and the Council has been an active contributor to the core group and sub-groups concerning fuel and food related issues.
- 5.2.8 The council participates in a range of joint working arrangements with other bodies. Some arrangements are formal, and are a way to deliver the council's duties and obligations or generate income, such as the shared audit management with Fenland District Council, strategic housing services with Breckland District Council, parking control in Great Yarmouth and the management of disabled facilities grants in Breckland and Fenland. These arrangements are subject to formal governance arrangements and include processes for reviewing the delivery of benefits, and, where performance is unsatisfactory, arrangements for termination.
- 5.2.9 The council, as a responsible authority<sup>1</sup>, is a member of Norfolk Community Safety Partnership with a district based multi-agency Operational Partnership Team and Norfolk Community Safety Scrutiny Sub Panel.
- 5.2.10 District councils not only affect public health through their direct roles and functions but also through their power to influence other bodies such as county councils, the local NHS, and health and wellbeing boards. The council is a member of Norfolk Health and Wellbeing Board and the related Norfolk Health Overview Scrutiny

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<sup>1</sup> Crime and Disorder Act 1998

Committee. At a more local level, the council coordinates a multi-agency group focused on increasing activity levels.

- 5.2.11 There are a range of county-wide collaborative partnerships that the council engages with. Examples include Norfolk Business Rates Pool, Norfolk Arts Forum Executive, Norfolk Coast Partnership Management Group, Norfolk Joint Museums and Archaeology Committee, Norfolk Local Authority Tourism Group, Norfolk Parking Partnership Joint Committee, Norfolk Police and Crime Panel, Norfolk Rail Policy Group, Norfolk Records Committee, Norfolk Counter Fraud Hub, Norfolk Waste Partnership and the Norfolk Resilience Forum.
- 5.2.12 Focusing on financial matters, the Norfolk Business Rates Pool successfully bid for a 75% business rate pilot over the financial year 2019/20. The local authority members actively contribute joint submissions to government consultations such as the fair funding settlement in order to represent the interests of the county and its constituent districts.
- 5.2.13 Turning to waste management issues, the council is actively involved in a joint procurement for waste collection services with neighbouring councils in North Norfolk District Council and Breckland District Council. The potential for savings in the procurement of a collection contract for waste and recycling are more likely to be achieved by joint procurement and savings could also be made through the sharing of the costs of procurement exercise. There may also be improved opportunities for income generation and replicating charging policies. The Executive Director for Commercial Services is authorised to progress a joint procurement for the Borough council's refuse and recycling contract. An internal officer group has been established to support the transition process from the current to the new provider.
- 5.2.14 On spatial matters, the council contributed to the development of the [Norfolk Strategic Framework](#) which documents areas of agreement that the Norfolk local planning authorities had reached and which they would follow when they prepared their individual local plans. It had been prepared by an officer team drawn from all of the Norfolk authorities supported by others from organisations such as the Environment Agency, Anglian Water and the New Anglia LEP (the Greater Cambridge Greater Peterborough Enterprise Partnership had also endorsed it). The framework will help ensure that the council discharges its legal duty to co-operate with neighbouring authorities in relation to strategically important land use issues which cross administrative boundaries. The result of such co-operation is expected to be better planning outcomes.
- 5.2.15 Regeneration is a corporate priority and, given the Enterprise Zone and other regeneration interests, the council actively engages with the New Anglia Local Enterprise Partnership Steering Group.
- 5.2.16 There are also a number of partnerships and outside bodies at or within borough level which are independent from the council, but have an impact on its service areas. In order that the council can maintain effective partnerships with a number of these organisations, representatives of the council, usually elected councillors, sit on the various committees and forums that are responsible for them. Examples include West Norfolk and King's Lynn Girls School Trust, West Norfolk Chamber of Commerce Council, West Norfolk Community Transport Project and West Norfolk Tourism Forum

Executive Forum. Oversight of these is a responsibility of the appropriate scrutiny panel.

- 5.2.17 Other partnerships are of a contractual nature, such as the delivery of leisure services via Alive Leisure Trust, procurement support to Boston Borough Council, delivery of the council's payroll processing or the Housing Strategy and Enabling Service that the council delivers for neighbouring Breckland District Council. Following Cabinet's agreement in February 2018, arrangements were embedded for the delivery of the notice processing for on and off street parking for Great Yarmouth and South Norfolk councils in addition to North Norfolk, Breckland and Broadland. 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.
- 5.2.18 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. New terms of reference were implemented in April 2017 and have been adhered to during 2018/19.
- 5.2.19 The council has established 3 wholly owned companies which are detailed in section 12 of the Annual Governance Statement. Research has been undertaken in 2018/19 to identify approaches to enhance the governance of these companies including the concept of a shareholder committee, risk management and company director development. These will be progressed in 2019/20.

### **5.3 *Engaging with individual citizens and service users effectively.***

- 5.3.1 The Corporate Business Plan 2015/16-2019/20 sets out the council's vision and provides the basis for investment, service planning and other decisions.
- 5.3.2 The plan refers to a range of intended outcomes and these are underpinned by strategies, service plans and the performance management framework and reported to overview and scrutiny panels.
- 5.3.3 During 2018/19 we consulted upon a range of significant issues including:
- [Plans to regenerate the Nelson Quay area of King's Lynn](#)
  - [Hunstanton Southern Seafront Masterplan 2018](#)
  - [Draft Local Plan review](#)
- 5.3.4 The findings from these exercises is being used to inform future planning and strategy development.
- 5.3.5 Impacts on equality are required for all reports and equality impact assessments are considered where required by the Equality Policy.
- 5.3.6 The council aims to ensure that it is open, honest and transparent, and to enhance inclusion by building on our understanding of customer needs and perceptions, through improved customer service and community engagement. This has informed our approach to digital transformation and thinking regarding digital exclusion and isolation evident in services such as Care and Repair and AskLily.

- 5.3.7 The council engages with local people and stakeholders in the following ways on a range of issues: surveys; roadshows; community events; on line feedback; interviews; public meetings / consultation; compliments / complaints procedure.
- 5.3.8 Members of the public are also able to ask questions on a topic or service within the council's control at full council meetings.
- 5.3.9 A King's Lynn Area Consultative Committee is in place, which is made up of the councillors for the un-parished area of King's Lynn and West Lynn. The committee's terms of reference state that the committee is to act as a consultative forum and to encourage community engagement. The committee meets 5-6 times a year to discuss and make recommendations on issues relating to the un-parished area of King's Lynn and West Lynn.
- 5.3.10 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.
- 5.3.11 The council uses a variety of corporate communication tools including a website, intranet site, a newsroom, newsletters, media releases and social media to communicate and engage with the community and staff. Facebook and Twitter are used effectively to update on service provision. 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.
- 5.3.12 The council has continued to support the second year of a West Norfolk Partnership initiative called "[Love West Norfolk](#)" launched in January 2018. 'Love West Norfolk' aims to create pride and aspiration within the local area and give people a voice on what they believe makes the area so special. The campaign is being headed up by key community leaders, including the Chief Executive and Leader of the borough council, and the Chief Executives of the Queen Elizabeth Hospital, the College of West Anglia, Freebridge Community Housing, Community Action Norfolk, and the Clinical Commissioning Group. It is also supported by Norfolk County Council. People have shared their views on what they love about the borough via social media and events. Companies have been involved and have undertaken consultation and engagement activities for employees and customers to share what they think sets west Norfolk apart.
- 5.3.13 During 2018/19, the council continued to be an active partner in the Wash East Coastal Management Strategy Stakeholder Forum and was leading plans to manage risk to Hunstanton's coastline and a [successful bid](#), in partnership with Fenland District Council, to the Coastal Communities Fund. The forum includes a wide range of public, private and voluntary sector organisations and consulted upon plans for managing a beach and addressing flood and coastal erosion risks. The council has contributed officer and financial resources to this activity.
- 5.3.14 During 2018/19 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.

- 5.3.15 [The Statement of Community Involvement](#) was approved by Council in June 2017 and continues to inform how the authority consults with the public as part of the local plan process, on planning applications, and also on neighbourhood plans.
- 5.3.16 Cabinet has a protocol and terms of reference for four member champions who act as an advocate or spokesperson for a specific area of the council's business. The main responsibility of each member champion is to encourage communication and positive action over the issue they represent. The council member champions are for disability, armed forces, heritage and coastal issues.
- 5.3.17 Fair access to services is informed by equality impact assessments on new policies and strategies and compliance with statutory guidance. Feedback from the 3,311 customers who called the Council Information Centre from April 2017 to March 2018 indicated:
- 62% of customers thought the telephone service was excellent.
  - 99% of customers were satisfied with the service provided.
  - 32% of customers state the main reason for their rating is due to the helpfulness of the advisors.

## **6. Defining outcomes in terms of sustainable economic, social and environmental benefits (Principle 3).**

### **6.1 Defining outcomes.**

- 6.1.1 The [Corporate Business Plan](#) 2015/16-2019/20 is used as the basis for corporate and service planning. The sets out the council's vision and provides the basis for investment, service planning and other decisions. The plan currently in place was agreed by the council in January 2016. Borough elections take place in May 2019 and the corporate business plan will be reviewed during 2019/20.
- 6.1.2 The current plan outlines six priority aims, supported by 18 objectives in areas of key importance to the authority. The six priority aims within the 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
- 6.1.3 The Corporate Business Plan is aligned with the council's [Financial Plan](#) and both documents are available on our website in order to be clear and transparent to local people, service users and stakeholders. Updates are also provided for members, staff and the public and available on the council's website via committee agendas and on the intranet InSite.
- 6.1.4 The plan is underpinned by directorate and service plans and the performance management framework.

- 6.1.5 The plan and related documents, such as the Cultural Prospectus, set out intended impacts or changes for customers and other stakeholders. Progress against the plan is monitored quarterly by Management Team and reported to Corporate Performance Panel every 6 months.
- 6.1.6 The plan is underpinned by a performance management framework that includes key performance indicators covering all of the directorates. These indicators and targets are reviewed annually. Progress trends are established and reported quarterly to the overview and scrutiny panels and Management Team. Action plans are identified for under-performing indicators.
- 6.1.7 The council's Management Team, consisting of the Chief Executive and executive directors meet on a weekly basis to consider matters commensurate with the corporate business plan and emerging issues. It also considers internal control issues, including risk management, performance management, compliance, value for money and financial management. Management Team receive monthly reports which details movements across a range of key indicators including measures of local economic performance.
- 6.1.8 The corporate risk register is routinely updated every six months and considers risks to the achievement of the corporate business plan. Mitigation plans are included for each risk. The risk reports to Management Team and Audit Committee also detail actions relating to "high risks".
- 6.1.9 Monthly budget reports are provided on the intranet for staff and members to view. All budget holders are involved in the budget setting process.

**6.2 Sustainable economic, social and environmental benefits.**

- 6.2.1 Decisions regarding capital investment consider the appropriate life spans of projects and the potential for adaptation for alternative use or that resources (such as council owned land) are used to optimise social, economic and environmental benefits. These considerations are evident in the capital programme and investment strategy and across the projects considered by the Major Projects Board established in 2018/19.
- 6.2.2 Regular discussions between members and officers consider the information needs of members and senior managers to support decision making. Away days, briefings, portfolio updates, sifting meetings and meetings between the Chief Executive and council leadership are examples of this dialogue.
- 6.2.3 Reports to committees and Management Team provide a record of decision making and related background information.
- 6.2.4 Using second homes council tax funding, the council engages with partners and schools to identify and undertake initiatives that seek to improve educational attainment and skills levels within the economy. Activities in 2018/19 included a university challenge held at the College of West Anglia with around 120 students attending, a project for disadvantaged students from each secondary school and booster conferences for 1,100 students in preparation for their maths GCSE. An update on performance was presented to [Corporate Performance Panel](#) in February 2019.

## **7. Determining the interventions necessary to optimise the achievement of the intended outcomes (Principle 4).**

### **7.1 *Determining interventions.***

- 7.1.1 Portfolio holder discussions and stages within the decision making process, such as the preparation of committee reports, provide opportunities to shape objectives and robustly analyse options and associated risks.
- 7.1.2 Development of the financial plan draws together feedback from a range of sources such as service demand, local priorities, efficiency needs, new legislation and staffing to prioritise competing demands within the confines of a balanced budget.
- 7.1.3 Management Team generally meet on a weekly cycle and consider a wide range of strategic and operational issues related to the delivery of the corporate business plan.
- 7.1.4 Management Team have established programme boards to enable a greater focus on significant issues including the transition to a new delivery model for leisure services, major capital projects and its wholly owned companies.
- 7.1.5 The council's risk management framework requires that consideration of risk is embedded in all key management processes. These include aspects such as policy and decision making, service delivery planning, project and change management, contracts, budget management and partnership working.
- 7.1.6 The financial management of the council is conducted in accordance with the financial rules set out in the Constitution and Financial Regulations. The council has in place a Medium Term Financial Plan, updated annually, to support the aims of the Corporate Business Plan.
- 7.1.7 The [Procurement Strategy](#) was refreshed in April 2018 and provides a framework for the council as to how procurement activity should take place and a strategy to improve the service, to both our internal and external stakeholders. This will enable the council to maximise opportunities, minimise risks and support several of corporate business plan objectives through good procurement practice.
- 7.1.8 All budget lines are allocated to a named budget officer who is responsible for controlling spend against that budget, and who is also responsible for assets used in the provision of their service. Containing spending within budget is a high priority in the performance management framework for individual managers.

### **7.2 *Planning interventions.***

- 7.2.1 A number of measures help to create robust planning and control cycles. These include calendars for developing and submitting plans and reports, the performance and risk management frameworks, corporate policy guidance and equality impact assessments.
- 7.2.2 Internal and external stakeholders are involved in determining how services should be planned and delivered. This is typified by internal working groups, project teams and boards, consultation on major developments and the formulation of new strategies.



- 7.2.3 Performance measures are identified within performance appraisals, service and directorate plans and strategies. Key performance indicators are identified by service managers, directors and portfolio holders and provide the basis of quarterly reports to overview and scrutiny panels.
- 7.2.4 The quarterly reports considered by the overview and scrutiny panels provide a direction of travel, an indication of variation against target and under-performing indicators have a mitigation plan. The panels can request follow up work such as briefings and written responses on matters within their remit.
- 7.2.5 The medium term financial plan is aligned with the corporate business plan. The cost reduction plan indicates how budget reductions are identified and managed. Annual budget setting guidance is issued to service managers to inform service planning. Monthly budget monitoring reports provide an indication of progress.
- 7.2.6 Project management approaches are used by project boards demonstrated by the use of project teams, project briefs, business cases and option appraisals and post project evaluation.

### **7.3 *Optimising achievement of intended outcomes.***

- 7.3.1 Over recent years, the council has adopted an approach of seeking efficiencies and different ways of delivering services to produce savings. The savings achieved have been the result of considerable change and transformation. In October 2016 the council published an [efficiency plan](#) 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 and quarterly reports to Management Team. Where savings are achieved in advance of 2020/21 these are transferred to reserves to fund investment in major capital projects which will provide future revenue income.
- 7.3.2 One of the corporate priorities is the delivery of a 'channel-shift' programme. The key document for delivery is the 'Switched On' Transformation Plan. The plan sets out how the 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.
- 7.3.3 The council's shift towards digital services progressed well during 2018/19 with improved take up of My Account, use of online integrated forms and the online help function. A new customer portal was introduced in Revenues and Benefits allowing customers to self-serve via the council's website, accessing real time data about their council tax, business rates accounts and benefit claims. Online Revenues and Benefits forms with direct integration into the back office systems are also available for customers to complete. These are key parts of the channel shift programme and provide 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 2018/19, new/revised online forms were introduced for:

- Benefit New Claims and Changes in Circumstances
- Council Tax and Business Rates Method of Payment changes, including setting up a Direct Debit
- Council Tax and Business Rates refund requests
- Council Tax Single Person Discount application

- 7.3.4 There are also several new forms in development for council tax and business rates which are awaiting testing and functionality and these are anticipated in 2019/2020.
- 7.3.5 Take up of the new forms has been high with nearly 1,300 MyRevenues 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 enabled. Many Revenues and Benefit forms integrate directly with our back office system and further work in 2019/20 will be completed to integrate revenues and environmental health forms into the respective back office systems.
- 7.3.6 During 2018/19, the council 'Web Chat' function enabled customers browsing its website to chat directly to a customer services advisor. An average of 15 chats a day were taking place in 2017/18...now x and the data collected from the chats is being used to improve the information on the council's website.
- 7.3.7 Throughout 2018/19, the council promoted 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. By the end of 2018/19, x My Accounts have been opened by customers. Following a software procurement, MyRevenues was launched in February 2019 replacing MyAccount for council tax, business rates and benefits and adding to the council's self-serve and digital offer. By the end of 2018/19, 2,119 MyRevenues accounts have been opened by customers, and as at 9 May 2019 over 3,300 accounts have been opened.
- 7.3.8 The council continues to encourage take up of digital services by providing assisted self-service facilities supported by staff at the King's Court offices.
- 7.3.9 The council's financial ledger underpinning its internal system of financial control was retendered in 2018/19 with implementation ongoing into 2019/20. This is supported by a framework of regular management information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability. Development and maintenance of the ledger software is undertaken by the council's financial services team. In particular, the system includes:
- Comprehensive budgeting systems;
  - Measurement of financial and other performance against targets;
  - Regular reviews of periodic and annual financial reports, which indicate financial performance against the forecasts and targets;
  - Clearly defined capital expenditure guidelines;

- 7.3.10 Financial management processes and procedures are set out in the council's financial regulations and include:
- Financial management processes and procedures
  - Financial planning including budgeting and budget monitoring
  - Risk management and control, including asset management and treasury management
  - Systems and procedures
  - External arrangements including council owned companies, service level agreements and partnerships
- 7.3.11 The council seeks to provide the maximum benefit for its communities from every taxpayer pound that is spent. This is assisted by the procurement strategy and via our regeneration role through which we take responsibility for generating economic, environmental and social growth our local communities.
- 7.3.12 Contract Standing Orders encourage services to consider social value particularly in respect to contracts over the EU threshold. In larger contracts, the council includes social value issues such as 'use of local apprenticeships' and 'use of local sub-contractors' as award criteria. We will continue this practice and look for ways of increasing the social value obtained from our contracts.
- 7.3.13 The council engages regularly with the voluntary, community, social enterprise (VCSE) sector usually through the route of grants, other financial support and through the West Norfolk Wins lottery. We have relatively few contracts that would be suitable for VCSE providers but we will continue to look for opportunities for this sector and encourage local organisations and groups to compete when appropriate. Currently, we have Information and Advice Services contracted out to two VCSEs that have been successful thus far and the contracts are being retendered in the 2019/20 financial year.
- 7.3.14 The Procurement Team use methods such as brief tender documentation, early identification of potential local suppliers, encouraging local businesses to sign up to online alerts for local contract opportunities and provision of briefings for SMEs on the procurement process.
- 7.3.15 The Procurement Team monitor the percentages of business that we have with small and medium enterprises (SMEs) and voluntary, community and social enterprises (VCSEs) via the use of spend analysis data. In the 2018/19 financial year x% of our suppliers were SMEs and x% were VCSEs.

## **8. Developing the council's capacity, including the capability of its leadership and the individuals within it (Principle 5).**

### ***8.1 Developing the council's capacity.***

- 8.1.1 The council aims to ensure that its members and officers have the skills, knowledge and capacity they need to discharge their responsibilities and recognises the value of well trained and competent people in effective service delivery. The online corporate induction course is available for all new members and staff to familiarise themselves with protocols, procedures, values and aims of the council and is regularly reviewed.

- 8.1.2 An established member training and development programme, including an induction process and regular updates throughout the year. Specific training is also provided to members who sit on regulatory committees, and they are unable to take up a position on these committees without having first received the relevant training.
- 8.1.3 Regular reviews of activities, services and strategies are undertaken. These may be within the service, utilising Internal Audit or Policy and Performance, incorporate lean management principles or external consultants. The Cost Reduction Plan is focused on identifying and realising efficiency savings across the organisation.
- 8.1.4 Reviews often draw upon benchmarking information and research into practice at other local authorities to inform option development.
- 8.1.5 The council recognises that it alone cannot necessarily impact on outcomes and collaborates with partners. West Norfolk Partnership typifies this with its work on improving educational attainment, increasing active lifestyles and promoting the reputation of the borough.
- 8.1.6 Other examples of benefits from partnership working are evident in waste management, parking enforcement, community safety, cultural and regeneration activities and strategic housing.
- 8.1.7 Service planning is complemented by workforce planning which considers skill development, succession planning and recruitment options.
- 8.1.8 All posts have a detailed job description and person specification. Training needs are identified through team meetings, 1:1s and annual appraisals and addressed via Personnel and/or individual services as appropriate. A performance related pay system provides an incentive to exceed.

## **8.2 *Developing the capability of the council's leadership and other individuals.***

- 8.2.1 The annual appraisal process provides an opportunity to review job descriptions and the capability of employees. The absence management procedure informs capability and capacity considerations.
- 8.2.2 Regular dialogue between the chief executive and council leadership helps to maintain a shared understanding of future direction and progress. Robust governance is informed by regular meetings between the three statutory officers. The council's senior managers and portfolio holders have been with the council for many years and that harmonious relationship has helped to build a strong foundation for broader leadership of the organisation.
- 8.2.3 The scheme of delegation is periodically reviewed and typically triggered by legal and organisational changes such as restructures.
- 8.2.4 Standing orders and financial regulations are reviewed periodically.
- 8.2.5 The respective roles and responsibilities of members and senior officers provide a check and balance.
- 8.2.6 The capabilities of members and senior officers are supported by development activities to enable the organisation to respond to the changing operating environment. This is typified by induction programmes, access to briefings and

training events on new legislation and government policy, personal development plans for officers and networking opportunities.

8.2.7 For example, for members this may include the ability to:

- scrutinise and challenge
- recognise when outside expert advice is required
- promote trust
- work in partnership
- lead the organisation
- act as a community leader

8.2.8 Other examples of activities to enhance capability include:

- Using efficient systems and technology to provide effective support e.g. roll out of Office 365
- Arrangements for succession planning.
- Reviewing individual member performance on a regular basis taking account of their attendance and considering any training or development needs
- Staff development plans linked to appraisals
- Implementing appropriate human resource policies and ensuring that they are working effectively e.g. trial of absence management approach.

8.2.9 The 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. For example, at Council on 14th June 2018, a review of key decision levels was approved which raised the threshold to £0.5m from £0.25m.

8.2.10 Within the Constitution, full council sets the overall budget and policy framework of the council, while the 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.

8.2.11 A comprehensive programme of learning and development is provided for officers and members. Learning and development needs for staff are identified through the performance management process and in response to organisation and service level needs and these are translated into an annual training programme. Examples would include performance management training for managers, training on the Regulation of Investigatory Powers Act for senior officers, event management training and briefings on the council's Incident Response Plan.

8.2.12 The council has a commitment to management training and delivers a range of development activities to support managers at all levels, including specific training to support the development of service managers. The second cohort of service managers participated in a Level 7 management programme in 2018/19. A number of

one-off 'Extended Management Team Development Sessions' have been delivered to ensure Service managers are kept informed on current issues.

- 8.2.13 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 major projects development meetings, meetings with ministers and their civil servants on programmes and policy development and Brexit preparation meetings with the Norfolk Resilience Forum.
- 8.2.14 Member 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 2018/19 year to continue to support the digital agenda. 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 2019/20 year following the borough elections.
- 8.2.15 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 has received specific briefings / training throughout the year.
- 8.2.16 The council values the health and wellbeing of its workforce. This is underpinned by its Health, Safety and Welfare Policy and supported by staffing changes that will bring a greater focus on health and wellbeing within the council. There is a positive relationship with the main trade unions and an active staff social club. There are a number of major community events (GEAR and Fawkes in the Walkes) throughout the year which are assisted by staff volunteers.

## **9. Managing risks and performance through robust internal control and strong public financial management (Principle 6).**

### **9.1 *Managing risk.***

- 9.1.1 We recognise that everyone has a role in managing risk which is proportionate to their role. The corporate risk register is reviewed every six months with updates reported to Management Team and Audit Committee. An additional risk related to fire safety at the council's headquarters was added to the register between the scheduled reviews.
- 9.1.2 The risk management policy and strategy had a scheduled refresh that was informed by an Internal Audit review which rated the current arrangements as "substantial". The updated policy and strategy were developed with Audit Committee and approved by Cabinet in March 2019. The updated approach will be rolled out in 2019/20 following training and embrace the council's companies and include operational risks at the service level.
- 9.1.3 All committee reports contain a section on risk.

- 9.1.4 Business continuity is a key risk and an Incident Response Plan was developed by the Business Continuity Corporate Officer Group to support the council's response to incidents. This was rolled out corporately via briefings to a wide range of senior officers.
- 9.1.5 Relevant officers participated in a number of business continuity/emergency planning multi-agency events considering King's Lynn port, cyber security and the no deal Brexit scenario.
- 9.1.6 Following concerns arising from a late loan repayment, the council commissioned Internal Audit to review its arrangements with the recipient, NWES. A lesson learnt report was considered by Audit Committee in March 2019 and was considered at a special Council meeting in April 2019.
- 9.1.7 An independent inquiry will follow and a cross party task group has been established under the Audit Committee to consider ways to enhance due diligence processes. The Major Projects Board will establish a report mechanism to enable the Audit Committee to monitor major projects and identify any steps or actions required and commence a programme of reviewing each of the large scale projects currently underway.
- 9.1.8 The council's internal audit team have developed a fraud risk register to monitor fraud risks across the council and review them to establish mitigations in place and improvements required in conjunction with standard internal control testing.

## **9.2 *Managing performance.***

- 9.2.1 The council has an effective Performance Management Framework, which is driven by the corporate business plan. Performance targets and actions are cascaded through directorate, service, team meetings and 1:1s. The Performance Management Framework was reviewed in 2016 and, following the May 2019 elections, will be refreshed to align with the new corporate business plan.
- 9.2.2 The council has a performance management framework which describes how the authority measures and monitors the performance of its activities and is available on the council's website. A number of updates occurred in 2018/19 including:
- The framework was generally refreshed during the 2018/19 year to ensure it reflects current objectives and priorities.
  - The suite of key performance indicators and targets was reviewed in May 2018 and agreed by executive directors and portfolio holders.
  - Following a scrutiny review in 2018, arrangements for all overview and scrutiny panels to monitor their own indicators were embedded.
- 9.2.3 Through reviews by external auditors, external agencies, Internal Audit, and the Policy and Performance Team, the council seeks ways of ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which its functions are exercised for example an internal review of communications, marketing, customer engagement and tourism was undertaken during 2018.

## **9.3 *Robust internal control.***

- 9.3.1 All committees have clear terms of reference and work programmes to set out their roles and responsibilities. The Audit Committee meet throughout the year to provide independent assurance to the Council and considers the reports and

recommendations of internal and external audit and inspection agencies and their implications for governance, and risk management or control, and supports effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and encourages the active promotion of the value of the audit process and review the financial statements.

- 9.3.2 The committee considers the internal and external auditor's opinion and reports to members, and monitors management action in response to the issues raised by internal and external audit. These arrangements ensure that the council has processes and procedures in place to ensure that it fulfils its overall purpose, achieves its intended outcomes for service users and operates in an economical, effective, efficient and ethical manner, as prescribed in the CIPFA/the role of the head of internal audit statement.
- 9.3.3 A data quality assessment takes place at year end supported by checks through the year.
- 9.3.4 There is an agreed programme of Internal Audit reviews through the year. With reports approved by lead managers/directors and a summary provided to Audit Committee.
- 9.3.5 The Council complies with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014). There is an Anti-Fraud and Anti-Corruption Strategy, Whistleblowing Policy and Fraud Response Plan. The council investigates fraud relating to Council Tax and Business Rates payments, Council Tax Support, as well as other types of fraud identified across the authority. Responsibility for investigating housing 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 housing benefit fraud is suspected.
- 9.3.6 The Annual Governance Statement is developed corporately involving service managers across the council, the senior Management Team and Audit Committee in its drafting.
- 9.3.7 An effective internal audit service is resourced and maintained with the Internal Audit Manager shared with neighbouring Fenland District Council who contributes learning from the two authorities and professional networks.
- 9.3.8 The Audit Committee complies with best practice set out in "Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2018)". There is a clear terms of reference which is periodically reviewed. The committee members meet at least 6 times per year. Members receive a number of training sessions throughout the year and in 2018/19 covered internal audit, annual accounts and the capital programme. There are regular attendances from a range of senior officers including the Deputy Chief Executive (Section 151 officer and the lead officer for the committee), the Chief Executive and the Internal Audit Manager and the appointed external auditor. Other attendees include the monitoring officer.
- 9.3.9 During 2018/19, the council began to explore ways to enhance the oversight of its wholly owned companies initially drawing upon notable practice from the LGA, white papers published by legal/accountancy companies and research into practices at other authorities. This work will continue into 2019/20 and will ultimately strengthen



oversight of company performance and business plans together with the development of council appointed directors.

- 9.3.10 Effective arrangements are in place for the discharge of the Monitoring Officer, Head of Paid Service and Section 151 roles. There are regular meetings of the 3 statutory officers to consider governance issues.
- 9.3.11 The council's Monitoring Officer 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. The Monitoring Officer's annual report summarises the more important matters arising from their work for the council from 1 April 2018 to 31 March 2019 and comments on other current issues. **This was considered by Standards Committee on x**. No contraventions have been identified or reported.
- 9.3.12 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.
- 9.3.13 A Deputy Chief Executive was appointed in July 2018 to provide further resilience to the council's management arrangements following the extension of the phased retirement of the Chief Executive.
- 9.3.14 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.

#### **9.4 *Managing data.***

- 9.4.1 With the introduction of GDPR in 2018, the council strengthened its governance regarding data management framework and procedures. There is a designated data protection officer, a senior information risk owner (SIRO) and deputy SIRO. A range of information asset owners and administrators have also been identified.
- 9.4.2 The data protection policy was updated in 2018.
- 9.4.3 Corporate training for GDPR was provided in 2018/19 and informed the corporate preparation of privacy notices, records of processing activity and the review of the authority's document retention and disposal policy.

#### **9.5 *Strong public financial management.***

- 9.5.1 Financial management supports the delivery of services and transformational change as well as securing good stewardship of the council's resources.
- 9.5.2 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.

- 9.5.3 The council's arrangements fully comply with the principles described: the chief financial officer is also Deputy Chief Executive and reports directly to the Chief Executive. To strengthen our arrangements, a senior member of the Financial Services team was appointed as Deputy Section 151 Officer (currently vacant).
- 9.5.4 Budget monitoring reports are provided on a monthly basis and published on the intranet for all staff and councillors to view.
- 9.5.5 The development of the revenue and capital budget, medium term financial strategy and treasury management strategy all engage members and are reported to Audit Committee and Cabinet.
- 9.5.6 The council has a cost reduction programme which is monitored on a quarterly basis by Management Team and covers a range of service areas. The programme extends to 2021/22.

## **10. Implementing good practices in transparency, reporting and audit, to deliver effective accountability (Principle 7).**

### **10.1 *Implementing good practice in transparency.***

- 10.1.1 Committee meetings are open to the public except where sensitive or confidential matters are being discussed. Appropriate reports are available for the public to review on the council's website and reference the contact details of the key officers and members.
- 10.1.1 Internal Audit is an independent and objective service to the management of the council and undertakes a programme of reviews throughout the year to provide an annual opinion on the framework of governance. Significant weaknesses in the control environment are reported to senior management and the Audit Committee by the Internal Audit Manager as part of the regular reporting process. Outstanding audit recommendations are discussed at senior management meetings and Audit Committee, and issues with addressing the urgent recommendations are also discussed at Management Team. Audit recommendations are generally implemented by the agreed date but some may slip or recommendations are overtaken by unforeseen events leading to revised dates.
- 10.1.2 The council has a Code of Corporate Governance in place, which sets out how the authority 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 three statutory officers will meet quarterly to review high risk projects and identified issues.
- 10.2.3 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 2018/19. 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.

10.2.4 The website, intranet, communications function, published datasets and social media channels all contribute towards being a transparent organisation. Members of the public are able to raise questions at council meetings in addition to raising matters directly with services, senior officers and councillors. Policies are in place for responding to requests made under access to information regulations including the Data Protection Act, Freedom of Information Act, Environmental Information Regulations and via the corporate complaints system.

## **10.2 *Implementing good practices in reporting.***

10.2.1 A wide range of information is reported publicly including:

- Annual financial statements
- Agendas, minutes and reports
- Appropriate approvals
- Records of decisions made under delegated powers
- Procurement and spending
- Performance against key performance indicators
- Lessons learnt reports
- Annual governance statement which follows the best practice recommended by CIPFA/Solace.
- Risk management updates
- Progress on the corporate business plan and updates on key objectives.

## **10.3 *Assurance and effective accountability.***

10.3.1 The Internal Audit process helps to drive improvement. An example of this includes the review of the council's risk management policy and strategy which was developed via Audit Committee.

10.3.2 The council complies with CIPFA's Statement on the Role of the Head of Internal Audit and with Public Sector Internal Audit Standards.

10.3.3 The council periodically has peer reviews and takes part in benchmarking and other relevant processes to inform its learning and development. Feedback is welcomed and considered to ensure that it can be implemented. Senior officers have undertaken peer reviews at other councils with learning brought back to the council.

10.3.4 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 these to ensure they remain relevant and fit for purpose. The Constitution was revised during 2018/19 including an increase in the value of decisions. There is a protocol for recording and broadcasting of meetings. 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.

10.3.5 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 appropriate constitution. As in one

example, the Norfolk Coast Partnership (a formal partnership with Great Yarmouth Borough Council, North Norfolk District Council, DEFRA and Norfolk County Council) there is a 'Memorandum of Agreement' that outlines how decisions will be made within the partnership.

- 10.3.6 A Memorandum of Association for the Wash & North Norfolk Marine Partnership, brings together the interests, skills and resources of 21 local authorities, environmental interest groups and national agencies to address matters of mutual interest in and around the Wash is under development.
- 10.3.7 During the 2018/19 year, the council worked in partnership with other public sector organisations in Norfolk in the 'One Public Estate' programme running across the county following a successful 2016 bid for funding towards feasibility work. Formal governance for the partnership is outlined within the 'Norfolk Partnership Services & Assets Delivery Plan' document.
- 10.3.8 The council is working with Homes England and Ministry of Housing, Communities and Local Government on the Accelerated Construction programme.
- 10.3.9 The council has a Data Quality Policy and Strategy in place and available on its website. Having this in place indicates 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 2018/19 year.
- 10.3.10 Following a review of the council's scrutiny function by the Centre for Public Scrutiny in 2015, the cross party Scrutiny Structures and Policy Development Task Group made recommendations to panels, Cabinet and Council on the Scrutiny and Policy Development Structure. The Task Group reconvened in August 2017 to review the revised operation and structures. The Task Group's proposals were considered by the policy and review panels and were approved by Cabinet in January 2018. Implementation of the changes continued into 2018/19. These changes included:
- the attendance of Audit Committee members for training becoming obligatory as it is for Planning and Licensing initial training.
  - Panels being encouraged to use the powers available to them and therefore making clear recommendations on items coming before them so they can be incorporated into reports in the progress of being prepared, or taken into account at Cabinet.
  - Panels considering their own performance indicators and being encouraged to monitor the progress in line with the corporate objectives through that route.
  - when working on policy development and reviews and project programme work, Panels being encouraged to have discussions with portfolio holders.
  - the Leader nominating the panel/committee chairs for agreement at Council with the vice-chairs to be appointed by the panels/committee.
  - terms of reference being approved for chairs of scrutiny bodies.
- 10.3.11 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 Internal Audit Manager has direct access to the Audit Committee. The arrangements in place for 2018/19 conformed to the requirements outlined in the CIPFA Statement on the Role of the Head of Internal Audit.

- 10.3.12 During 2018/19, the shared arrangement with Fenland District Council to manage the Internal Audit team continued and is underpinned by a Section 113 agreement. These arrangements were entered into in order to provide a cost saving to the borough council, whilst at the same time continuing to provide an effective internal audit function through a different model of delivery. The arrangement enabled the shared Internal Audit Manager to provide the assurance required by management and members, and issue an Audit Opinion for the Annual Governance Statement.
- 10.3.13 The council's external auditor during 2018/19 was Ernst & Young.
- 10.3.14 From April 2016, the council has had a standalone Audit Committee in place providing increased opportunity for effective assurance about the adequacy of financial and operational management and reporting.
- 10.3.15 Training has been provided during 2018/19 to the members of the Audit Committee in key areas. Examples include training on and Introduction to the Audit Committee, The differences between internal and external audit, Funding, the statement of accounts and the Treasury Strategy.
- 10.3.16 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 in June 2019. 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.
- 10.3.17 Commercialisation has introduced a new set of risks for the council. These impact upon local authority owned companies and investments.
- 10.3.18 The council has a number of wholly owned companies and appoints company directors. The governance framework in which these companies operate will be reviewed and enhanced in 2019/20. Training for the appointed company directors will be delivered in 2019/20.
- 10.3.19 During 2018/19, two investments have resulted in the identification of learning regarding due diligence processes. An Internal Audit lessons learnt review was commissioned and reported to Audit Committee in March 2019. Following a special Council meeting in March 2019 an independent inquiry will be established into the partnership with Norfolk and Waveney Enterprise Services (NWES) and its subsidiaries and associated companies and those with common shareholders or directors, regarding the award of and administration of the KLIC project and all aspects of its (their) financial relationship with the Borough Council of King's Lynn and West Norfolk.
- 10.3.20 An Audit Committee Task Group will also focus on the future composition and operation of the Major Projects Board, the Major Projects Progress overview and

other lessons learnt from the 'KLIC Lessons Learnt Review'. This work will continue into 2019/20.

## **11. Review of effectiveness**

11.1 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 Internal 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.

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

- the work of senior managers within the council who have responsibility for the development and maintenance of governance.
- the Internal Audit work programme .
- comments made by the external auditors and other review agencies and inspectorates.
- systems and controls within the council as outlined above.

11.3 In-year and year-end review processes have taken place. In year review mechanisms include:

- Cabinet and the Corporate Performance Panel are responsible for considering overall financial performance and receives reports on a regular basis. It is also responsible for key decisions and for initiating corrective action in relation to risk and internal control issues.
- The Monitoring Officer has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The council reviews the Constitution regularly to incorporate any necessary changes.
- The Standards Committee have met regularly throughout the year to consider and review issues relating to the conduct of Members.
- 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 2018/19 which was considered by Audit Committee on 3<sup>rd</sup> June 2019. The report states that in the Audit Manager's opinion, the council's control arrangements were adequate and effective in 2018/19, 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 will be reported to Cabinet in August 2019 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 2018/19 Internal Audit has issued no reports with a 'limited assurance' rating. There were no instances of 'no assurance' reports being issued. However the KLIC lesson Learnt review highlights a number of weaknesses to be considered as covered in point 10.3.19.

11.4 The council's external auditors review the activities of the authority, 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' and the Annual Audit Letter were considered by Audit Committee on x and x respectively. These reports from the external auditors refer to the 2017/18 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 2019.

- A member/officer protocol is in place and forms part of the council's constitution.
- The Monitoring Officer issued an annual report covering the 2018/19 year which was considered by Standards Committee on x and provides an overall opinion on the adequacy and effectiveness of the governance framework. The report stated that the systems of internal control administered by the Monitoring Officer were adequate and effective during the year between April 2018 and March 2019 for the purposes of the latest regulations.
- 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. One issue occurred during 2018/19 which required the full council to exercise its role (see point 10.3.19).

11.5 To summarise this section: a review of the council's overall governance arrangements for the 2018/19 year has been undertaken; the review highlighted one issue affecting governance or internal control during the year. Arrangements outlined in sections 4 to 10 are in place and operating as planned.

## **12. Areas of special interest in terms of governance**

### **12.1 Leisure arrangements**

12.1.1 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. A review undertaken in 2018/19 led to a decision being taken at a special cabinet meeting on 17 October 2018 to move to a new delivery model in 2019/20. A wholly owned council company (Alive West Norfolk) has been established that will be responsible for the delivery of leisure services across the borough. An officer project board has been supporting the transition with the new model aimed to be in effect from 1 July 2019.

## 12.2 Legal arrangements

12.2.1 The council's legal service continues to be 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 and support for processing Freedom of Information requests and the General Data Protection Regulation.

## 12.3 West Norfolk Housing Company Limited (WNHC) (Company number 10368299)

12.3.1 In August 2016, Cabinet resolved<sup>2</sup> 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 became a registered provider of social housing in 2018. It operates on a not for profit basis. The council has appointed members and officers to serve as company directors. The company reports to Cabinet.

12.3.2 WNHC is helping to secure investment in new affordable homes in the borough to meet identified need. Broad Street is an ambitious scheme that has transformed underused office space in King's Lynn town centre into temporary accommodation for couples and families who are, or have been threatened with being homeless opened in 2018/19. The accommodation is managed by Broadland Housing Association.

## 12.4 West Norfolk Property Limited (Company number 11305604)

12.4.1 The 2017 Annual Governance Statement set out governance arrangements for this vehicle to hold new private rented sector stock in the borough. The company, limited by shares, operates primarily to generate new revenue from housing stock developed and held on sites developed by the council. The council has appointed members and officers to serve as company directors. The company reports to Cabinet. A Business Plan and Intra Group Agreement were agreed by Cabinet in June 2018.

## 12.5 West Norfolk Wins (local lottery)

12.5.1 The first lottery draw for West Norfolk Wins took place on 26 May 2018. The introduction of a local lottery requires two licences approved by the Gambling Commission. These are held by the Deputy Chief Executive (Section 151 Officer) and the Chief Executive. In addition Norfolk Community Foundation provides an independent due diligence review of the approval of good causes.

12.5.2 West Norfolk Wins has raised £34,000 for the local community.

## 12.6 Major Projects Board

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<sup>2</sup> 2 August 2016



- 12.6.1 The council has a range of projects that are identified within the approved capital programme. In addition to this, there is a multitude of other projects that are being worked on by a variety of officers. To support the management of the council's property projects, an officer board has been established. The board includes executive directors and officers involved in capital funded property projects. The monthly board meetings consider project briefs, business cases, project progress, risk and reports to Management Team.
- 12.6.2 Following the publication of the Internal Audit report "KLIC Lessons Learnt" in March 2019, the Major Projects Board will establish a reporting mechanism to enable the Audit Committee to monitor major projects and identify any steps or action required. A programme of reviewing each of the current large scale projects will also be undertaken.

### **13. Known changes in the 2019/20 year**

- 13.1 Embedding the new risk management framework  
Roll out briefings on the revised risk management framework. Align risk register with new corporate business plan and prepare 6 monthly risk updates to Management Team and Audit Committee.
- 13.2 Governance framework for the council's companies  
Review the governance framework of the council's wholly owned companies.
- 13.3 To embed arrangements for record management and processing  
Assurance work regarding GDPR.
- 13.4 Assurance work regarding the Annual Governance Statement  
To support the Internal Audit review of the council's approach to develop the annual governance statement.
- 13.5 Development of council appointed directors  
To provide company director training for directors appointed to its companies.
- 13.6 Development of an updated corporate business plan  
Following the May 2019 elections, refresh the corporate business plan for 2019-2023.
- 13.7 Review of the performance management framework  
Review the performance management framework to ensure it is aligned with the new corporate business plan.
- 13.8 Implementation and embedding of the new financial ledger  
To implement and embed the new financial ledger software's operational processes.
- 13.9 Management restructure  
To implement the approved restructure.
- 13.10 Policy outlining approaches to the council's housing regulatory function

To develop a policy that outlines the council's approach to regulation with its housing functions.

13.11 Homelessness and rough sleeper strategy and stakeholder group

To develop a homelessness and rough sleeper strategy.

13.12 Joint waste contract

To procure a joint waste collection contract in collaboration with Breckland and North Norfolk district councils.

13.13 CIL governance

To design the governance structure for the Community Infrastructure Levy.

13.14 Creation of Alive West Norfolk and closedown of Alive Management Limited

To establish the new council owned leisure company, Alive West Norfolk (company number 11802914 ) and close down Alive Management Limited.

13.15 Preventing Fraud and Corruption

To support joint working with DWP and participate in the Norfolk Counter Fraud Hub.

13.16 KLIC Lessons Learnt Report

To support the independent inquiry into the partnership with NWES and respond to the report findings. To support the Audit Committee Task Group with its work regarding the Major Projects Board and 'KLIC Lessons Learnt Review'.

13.17 Member development needs

Delivery of member induction programme and identification of development needs.

## **14. Action Plan**

14.1 In the Annual Governance Statement for 2017/18, an action plan for 2018/19 was set out to deal with governance issues identified during the review for that year and is attached at Appendix B.

14.2 The action plan for 2019/20 is attached at Appendix C.

## **15. Assurance summary**

15.1 From the review undertaken, the assessment and ongoing monitoring work completed<sup>3</sup> 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.

15.2 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.

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<sup>3</sup> By the Audit Committee during 2018/19

15.3 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 C 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:

Ray Harding  
Chief Executive  
Date:

Cllr Angie Dickinson  
Chair of the Audit Committee  
Date:

## Appendix A - Evidence list; How the principles of corporate governance have been adhered to during the 2018/19 year

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

## Appendix B - Action plan for the 2018/19 year

| Item |                                      | Action  | Responsible Officer                                | Target Date   | Status  |
|------|--------------------------------------|---|--|---------------|---|
| 1    | Code of Corporate Governance         | Review Code of Corporate Governance and gain Council approval to demonstrate good governance.   | Chief Executive                                    | December 2018 | Completed. Approved at Cabinet in March 2019  |
| 2    | Scrutiny changes                     | Implementation of recommendations from Scrutiny review 2017/18.   | Executive Director, Central and Community Services | March 2019    | Completed. All implemented for early 2018. Task Group has asked to review again after a further 12 months   |
| 3    | Baseline Personnel Security Standard | Completion of review.   | Executive Director, Central and Community Services | March 2019    | Review of BPSS is ongoing linked to review of provision of GCSX accounts. Adjustments have been made to ensure the Council remains able to complete the full BPSS checks for staff using the PSN.   |
| 4    | Business Continuity                  | Testing arrangements and refresh of the business continuity plan.   | Executive Director, Environment & Planning         | March 2019    | Completed. The policy and strategy documents have been combined with the threat cards to produce a corporate business continuity plan. METIS18 delivered training on the new plan to extended management team and other appropriate officers.   |
| 5    | Corporate policies                   | Implement new arrangements including update to intranet, refresh of policy register and application of template to policies developed during 2018/19. | Executive Director, Central and Community Services | March 2019    | Completed. Insite updated in May 2018 to include the tiered policy register and guidance. Articles published in Internal Affairs and Members Bulletin. Policies updated in 2018/19 include: <ul style="list-style-type: none"> <li>• Equality Policy</li> <li>• Health, Safety and General Welfare Policy</li> <li>• Risk Based Verification Policy for Housing Benefit and Council Tax support</li> <li>• Risk Management Policy</li> <li>• Document Retention Policy</li> </ul> |
| 6    | Cultural prospectus                  | Consideration of governance issues regarding new arrangements to access funding.  | Executive Director, Commercial Services            | March 2019    | Completed. A Cultural Board has been established, this is chaired by BCKLWN. Representatives include Norfolk County Council's Arts and Museums Service, the Arts Council, national portfolio organisations and local  |

| Item | Action   | Responsible Officer   | Target Date  | Status                                   |   |
|------|--|---|--|--|---|
|      |  |   |  | stakeholders. The board meets quarterly. |   |
| 7    | General Data Protection Regulations  | Roll out of training programme and completion of e-learning package.  | Chief Executive                                    | March 2019                               | <ul style="list-style-type: none"> <li>• Governance structure now in place for GDPR, quarterly meetings</li> <li>• Eastlaw has provided training to Members</li> <li>• Deputy SIRO will attend external training course early 2019</li> <li>• Information Asset Owners (Service Managers) and Information Asset Assistants have now been identified for each service area and training will be provided in 2019 using an external trainer</li> <li>• Currently less than 50% of Council employees have completed the e-learning package. Deputy SIRO to discuss with Personnel to consider options to encourage staff to complete.</li> </ul> |
| 8    | Service manager development programme  | Completion of programme by Cohort 2   | Executive Director, Central and Community Services | Summer 2018                              | Completed. All four delegates in the second cohort of the Level 7 Management programme successfully completed their qualification by summer 2018.   |
| 9    | Review of Ward Boundaries (Review by Local Government Boundary Commission for England) | Ensure active participation in the final stage of the review in order to ensure the best possible evidence based outcome for West Norfolk | Executive Director, Central and Community Services | December 2019                            | Completed. Boundary Commission have published their decision – the Council responded to some of their decisions with disappointment. New wards prepared for May elections.  |
| 10   | Equalities Policy  | Delivery of implementation plan including training for officers and members.  | Executive Director, Central and Community Services | March 2019                               | All actions on implementation plan for new policy have been completed. Work on new training programme has been slightly delayed due to staffing changes within Personnel Services but will be progressed during the early part of 2019.   |
| 11   | Retention and Disposal Policy and Schedule   | Update the Retention and Disposal Policy and Schedule.  | Chief Executive                                    | March 2019                               | Completed. Policy and schedule approved by Cabinet in March 2019.   |
| 12   | Data Quality Policy Statement and Strategy   | Review of policy and strategy to ensure conformity with the GDPR and emerging UK legislation.   | Executive Director, Central and Community Services | March 2019                               | Complete. The policy and strategy have been reviewed and approved under delegated powers.   |
| 13   | Review Of Contract   | Undertake a review Of   | Deputy Chief                                       | March                                    | It has been agreed to combine   |

| Item | Action                                    | Responsible Officer   | Target Date  | Status       |  |
|------|---|---|--|--------------|--|
|      | Standing Orders                           | Contract Standing Orders and roll out updated digital content and training for officers.  | Executive  | 2019         | the review of Contract Standing Orders with the implementation of the new financial system. Project implementation commenced November 2018 and aims to complete in July 2019.                                  |
| 14   | Health, Safety and General Welfare Policy | Review the policy to consider legislative and procedural changes.   | Executive Director, Environment & Planning         | May 2018     | Completed. The HSW Policy was updated and agreed by Council in May 2018, a signed copy is available on Insite and a link to the document was circulated through Internal Affairs.                              |
| 15   | West Norfolk Housing Company Limited      | Review the governance arrangements for West Norfolk Housing Company Limited with an objective of being a not for profit organisation. | Chief Executive                                    | June 2018    | Completed. West Norfolk Housing Company is now a not for profit company and has secured registration as a Registered Provider with Homes England, one of the first Local Authority Housing Companies to do so. |
| 16   | Public Services Network (PSN) compliance  | Ensure PSN compliance during 2018/19 including progressing any actions identified as a result of the 2018 audit                       | Executive Director, Central and Community Services | April 2019   | We have continued to achieve compliance during 2018/19, and are preparing for the next Audit during April 2019.  |
| 17   | Payment Card Industry (PCI) compliance    | Respond to issues identified during the 2017 PCI audit  | Executive Director, Central and Community Services | October 2018 | Completed. All issues have been dealt with from the 2017/18 audit. The next audit will take place in February 2019.  |

## Appendix C - Action plan for the 2019/20 year

| Item | Action   | Responsible Officer   | Target Date                                       |            |
|------|--|---|---|------------|
| 1    | Embedding the new risk management framework.   | Roll out briefings on the revised risk management framework. 6 monthly risk updates to Management Team and Audit Committee. | Executive Director Central and Community Services | March 2020 |
| 2    | Governance framework for the council's companies.  | Review the governance framework of the council's wholly owned companies.  | Chief Executive                                   | March 2020 |
| 3    | Assurance work regarding GDPR.   | To embed arrangements for record management and processing.   | Chief Executive                                   | March 2020 |
| 4    | Assurance work regarding the Annual Governance Statement.  | To support the Internal Audit review of the council's approach to developing the annual governance statement.               | Executive Director Central and Community Services | March 2020 |
| 5    | Training for the council's appointed directors on the role and responsibilities of a company director. | To provide company director training for directors appointed to its companies.  | Chief Executive                                   | March 2020 |
| 6    | Development of an updated corporate business plan.   | Following the May 2019 elections, refresh the corporate business plan for 2019-2023.  | Chief Executive                                   | March 2020 |
| 7    | Review of the performance management framework.  | Review the performance management framework to ensure it is aligned with the new corporate business plan.                   | Executive Director Central and Community Services | March 2020 |
| 8    | Implementation and embedding of the new financial ledger.  | To implement and embed the operational processes of the new financial ledger software.                                      | Deputy Chief Executive                            | March 2020 |
| 9    | Management restructure.  | Forward plan for June 2019.   | Chief Executive                                   | March 2020 |
| 10   | Procurement strategy/regulations training  | Roll out training for the new procurement strategy.   | Deputy Chief Executive                            | March 2020 |
| 11   | Recommendations from Internal Audit review of "Ethical culture".                                       | To implement priority recommendations from the Internal Audit of "Ethical culture".   | Chief Executive                                   | March 2020 |
| 12   | Digital exclusion strategy/policy.   | Develop a digital exclusion policy/strategy.  | Assistant Director                                | March 2020 |
| 13   | Develop revised media protocols.   | To develop revised social media protocols.  | Executive Director Central and Community Services | March 2020 |
| 14   | Public Services Network (PSN) compliance   | Ensure PSN compliance during 2019/20 including progressing any actions identified as a result of the 2018 audit.            | Executive Director Central and Community Services | March 2020 |



| Item | Action   | Responsible Officer                               | Target Date |
|------|--|---|-------------|
| 15   | Policy outlining approaches to the council's housing regulatory function.          | Chief Executive                                   | March 2020  |
| 16   | Homelessness and rough sleeper strategy and stakeholder group.                     | Chief Executive                                   | March 2020  |
| 17   | Waste contract in collaboration with Breckland and North Norfolk.                  | Executive Director Commercial Services            | March 2020  |
| 18   | CIL governance.  | Executive Director Environment and Planning       | March 2020  |
| 19   | Creation of Alive West Norfolk and closedown of Alive Management Limited.          | Deputy Chief Executive                            | March 2020  |
| 20   | Norfolk Fraud Hub  | Deputy Chief Executive                            | March 2020  |
| 21   | Payment Card Industry (PCI) compliance.  | Deputy Chief Executive                            | March 2020  |
| 22   | Independent inquiry into partnership with NWES                                     | Chief Executive                                   | March 2020  |
| 23   | Audit Committee Task Group regarding major projects and KLIC lessons learnt review | Chief Executive                                   | March 2020  |
| 24   | Member development needs   | Chief Executive                                   | March 2020  |
| 25   | Equalities training programme  | Executive Director Central and Community Services | March 2020  |

**POLICY REVIEW AND DEVELOPMENT PANEL REPORT**

|                 |  |   |    |
|-----------------|--|---|----|
| REPORT TO:      | Audit Committee                                  |   |    |
| DATE:           | 3 <sup>rd</sup> June 2019                        |   |    |
| TITLE:          | Internal Audit Annual Report and Opinion 2018-19 |   |    |
| TYPE OF REPORT: | Scrutiny   |   |    |
| PORTFOLIO(S):   | Cllr Long, Finance                               |   |    |
| REPORT AUTHOR:  | Kathy Woodward, Internal Audit Manager           |   |    |
| OPEN            |  | WILL BE SUBJECT TO A FUTURE CABINET REPORT: | No |

**REPORT SUMMARY/COVER PAGE**

|  |
|--|
| <b>PURPOSE OF REPORT/SUMMARY:</b>  |
| To provide the Audit Committee with an overview of the work undertaken by Internal Audit during 2018/19 and provide the Audit Managers annual opinion on the system of internal control.   |
| <b>KEY ISSUES:</b>   |
| 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.<br><br>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.<br><br>The report includes consideration of the effectiveness of the internal audit team and the basis of the Audit Manager's opinion. |
| <b>OPTIONS CONSIDERED:</b>   |
| Not applicable   |
| <b>RECOMMENDATIONS:</b>  |
| To receive the annual audit opinion and note the work of Internal Audit for 2018-19.   |
| <b>REASONS FOR RECOMMENDATIONS:</b>  |
| 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 2018-19 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 2018-19, with sound controls in all key areas.

### **3.0 Effectiveness of the Internal Audit team**

- 3.1 The Internal Audit team consists of a part time Shared Internal Audit Manager, 1.7 FTE Auditors and 1 full time Investigation Officer/Internal Auditor. The Shared Internal Audit Manager is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA). 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. The full time Auditor is also undergoing training and has received mentoring support from within the team.
- 3.2 This year is the second full year of the Shared Internal Audit Management arrangements with Fenland District Council.
- 3.3 At the start of the year recruitment was still underway to the vacant part time auditor post, which was completed in July 2018. The successful applicant has received mentoring support and this has meant a reduction in resource during this year. 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 2019/20 than previously anticipated. However sufficient work was completed in 2018/19 to enable the Audit Manager to reach a valid conclusion on the effectiveness of the internal control systems.

- 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 2018/19 line management was through the Executive Director – Finance Services (s151 Officer) / Deputy Chief Executive, but direct access to the Chief Executive, Leader, or Chair of the Audit Committee was available if required.
- 3.7 Internal Audit have Terms of Reference which were approved by the Audit Committee on 04<sup>th</sup> September 2017. 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.
- 3.8 All work in 2018/19 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 2018/19 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 Committee to endorse. The plan for 2018/19 was agreed on 12th February 2018.

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 Shared Internal 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 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 13 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, one cases requires further explanation:

- The KLIC Lessons Learnt Review was commissioned by the Chief Executive and produced in a different format to our typical reports. An assurance rating was not applied to this piece of work, but the results were presented directly to the members of the Audit Committee and Full Council. There were 35 recommendations made that have been considered in detail by the Audit Committee and a cross party working group has been established to continue to review the recommendations. In addition to the cross party working group and independent

review has been commissioned as requested by Full Council. The results of the independent review, the cross party working group and the follow up review to Internal Audit's review will be considered as part of next year's audit opinion. .

There were no instances of 'Limited' or '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 2018/19 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 all of the matches from the 2016/17 exercise and the Flexible Matching Service being completed.
- 5.2 Work is currently underway for the 2018/19 NFI data matching exercise and work will commence on investigating the reported matches in 2019/20.
- 5.3 Throughout 2018/19 we have explored other routes available to us to be more proactive in our attempts to prevent, detect and deter fraud and error.
- DWP Joint Working commenced in December 2018.
  - Norfolk Counter Fraud Hub has been established and work will begin in 2019/20.
- 5.4 The Internal Audit Team did not conduct any internal fraud investigations during 2018/19.

## **6.0 Risk Management**

- 6.1 The process for reviewing and updating the Risk Register has transferred to the Performance and Efficiency 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.

## **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 2018-19, 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 2018/19 included:**

Display Screen Equipment  
BCKLWN Corporate Induction  
Business Continuity  
Data Protection, Freedom of Information & Environmental Information  
Regulations  
Equalities - What Employees Need to Know  
Health & Safety Awareness  
Fire Safety Awareness  
Manual Handling  
IT Security  
Customer Care Skills  
Disability Equality Training  
General Data Protection Regulations 2018  
Cambridgeshire Audit Group Training Day (CAMSAG)  
Procurement & Contract Management Training  
Effective Minute Taking  
Skyguard Training - Managers and Admin  
Criminal Finance Act 2017  
RIPA Training  
Finance system – various modules



**Audit reports issued during 2018/19 showing assurance levels**

| <b>Audit title</b>                        | <b>Full Assurance</b> | <b>Substantial Assurance</b> | <b>Limited Assurance</b> | <b>No Assurance</b> |
|---|-----------------------|------------------------------|--------------------------|---------------------|
| Accounts Receivable                       |                       | ✓                            |                          |                     |
| Alive Leisure and Management <sup>1</sup> |                       |                              |                          |                     |
| Asset Register and Inventories            |                       | ✓                            |                          |                     |
| Benefits                                  | ✓                     |                              |                          |                     |
| Care and Repair                           |                       | ✓                            |                          |                     |
| Council Tax and Business Rates            | ✓                     |                              |                          |                     |
| Ethical Culture                           | ✓                     |                              |                          |                     |
| Risk Management                           |                       | ✓                            |                          |                     |
| <i>Child Protection</i>                   |                       | ✓                            |                          |                     |
| <i>Treasury Management</i>                |                       | ✓                            |                          |                     |
| <i>External Communications</i>            | ✓                     |                              |                          |                     |
| <i>Housing Strategy</i>                   |                       | ✓                            |                          |                     |
| KLIC Lessons Learnt Review <sup>2</sup>   |                       |                              |                          |                     |

*\* These reports have been completed but the final versions have not been published at the time this report was being prepared.*

<sup>1</sup> Due to the ongoing changes relating to Alive Leisure Trust and Alive Management this report was not issued with an assurance rating, but suggestions and recommendation were provided to the Council's Management team for consideration while reviewing the available future options for leisure provision.

<sup>2</sup> KLIC Lessons Learnt Review – See comments in section 4.5 of the report.

**POLICY REVIEW AND DEVELOPMENT PANEL REPORT**

|                 |  |   |    |
|-----------------|--|---|----|
| REPORT TO:      | Audit Committee                                  |   |    |
| DATE:           | 3 <sup>rd</sup> June 2019                        |   |    |
| TITLE:          | Internal Audit Full Year Progress Report 2018-19 |   |    |
| TYPE OF REPORT: | Update   |   |    |
| PORTFOLIO(S):   | Cllr Long, Finance                               |   |    |
| REPORT AUTHOR:  | Kathy Woodward, Internal Audit Manager           |   |    |
| OPEN/EXEMPT     | Open   | WILL BE SUBJECT TO A FUTURE CABINET REPORT: | No |

**REPORT SUMMARY/COVER PAGE**

|  |
|--|
| <p><b>PURPOSE OF REPORT/SUMMARY:</b></p> <p>To provide Members with an update on progress against the Internal Audit Strategic Plan 2018-19 that was endorsed by the Audit Committee at the meeting on 12th February 2018. The report also provides an update on the fraud work for the first half of the year.</p>  |
| <p><b>KEY ISSUES:</b></p> <p>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>’</p> <p>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.</p> <p>The Audit Committee Terms of Reference require it to monitor the delivery of the internal audit activity.</p> |
| <p><b>OPTIONS CONSIDERED:</b></p> <p><i>Not applicable</i></p>   |
| <p><b>RECOMMENDATIONS:</b></p> <p>Members are asked to review the progress against the audit plan and to note the update of the fraud work.</p>  |
| <p><b>REASONS FOR RECOMMENDATIONS:</b></p> <p>Audit Committee members are required to monitor the delivery of the Internal Audit Plan as part of the Committee’s Terms of Reference, which is legislated in section 5 of the Accounts and Audit Regulations 2015.</p>  |

## **REPORT DETAIL**

### **1. Introduction**

- 1.1 The Strategic Audit Plan 2018-19, endorsed by the Audit Committee on 12<sup>th</sup> February 2018, 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, Deputy Chief Executive (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 first half of 2018-19 and reports issued as described above:
- Care & Repair
  - Asset Register and Inventories
  - Alive Management
  - Ethical Culture
  - Revenues (Council Tax and NNDR)
  - Housing Benefits
  - Accounts Receivable
  - Risk Management
  - Child Protection \*
  - Treasury Management \*
  - External Communications \*
  - Housing Strategy \*
  - KLIC Lessons Learnt Review
  - Information and Security Management Follow Up
  - Housing Options and Allocations Follow Up
  - Housing Standards Follow Up

- Cemeteries & Crematorium Follow Up
- Planning Control Follow Up
- Industrial Estates Follow Up

\* These reports are complete but the Final reports have not been issued yet.

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 are currently ongoing and will be reported to the Committee in the next progress report:

- Vehicle Fleet
- Legal Services
- Procurement
- Partnerships
- Data Quality and Interpretation
- Cost Reduction Programme
- Grants / Funding to Third Parties
- S160 / CIL / Habitat Levy
- Careline

2.4 In addition to the standard audits, Internal Audit also undertook other work during the year including the following:

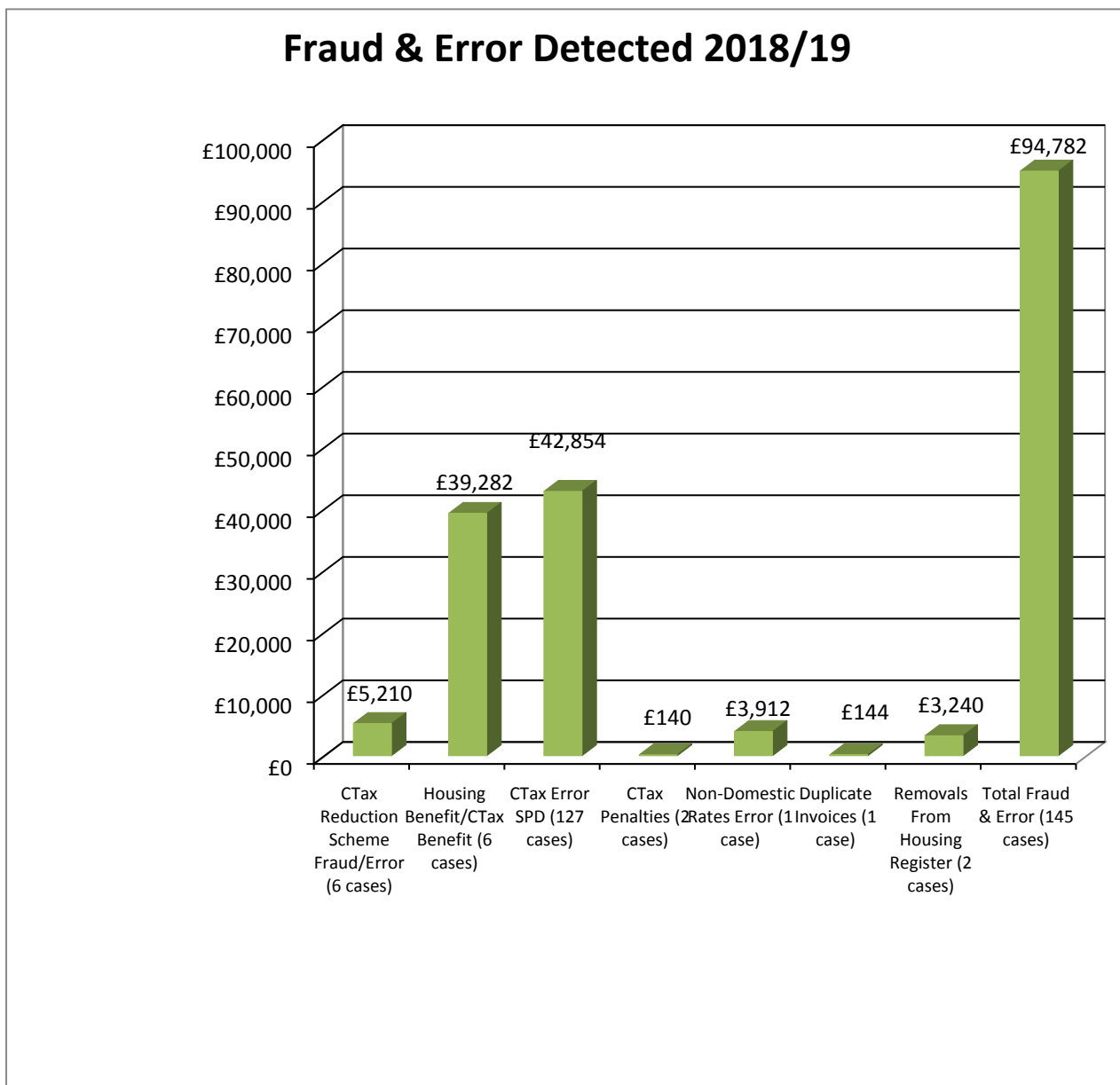
- Review of the Audit Manual and internal audit working papers.
- Providing support to the Finance System software tender process, ensuring compliance with relevant regulations and legislation.
- Providing support to the Management Team on the RIPA desktop inspection and GDPR legislation.
- Providing training to members on the Role of the Audit Committee and the difference between internal and external audit.

2.5 One of our auditors left the authority in June 2018, which resulted in a period of vacancy while the recruitment process was underway. An appointment to the vacant post was made commencing in July 2018. This post has received mentoring support and training to bring him up to speed with Council Services, policies and procedures. A number of audits have been 'doubled up' resulting in a lower output of productive work throughout this training phase.

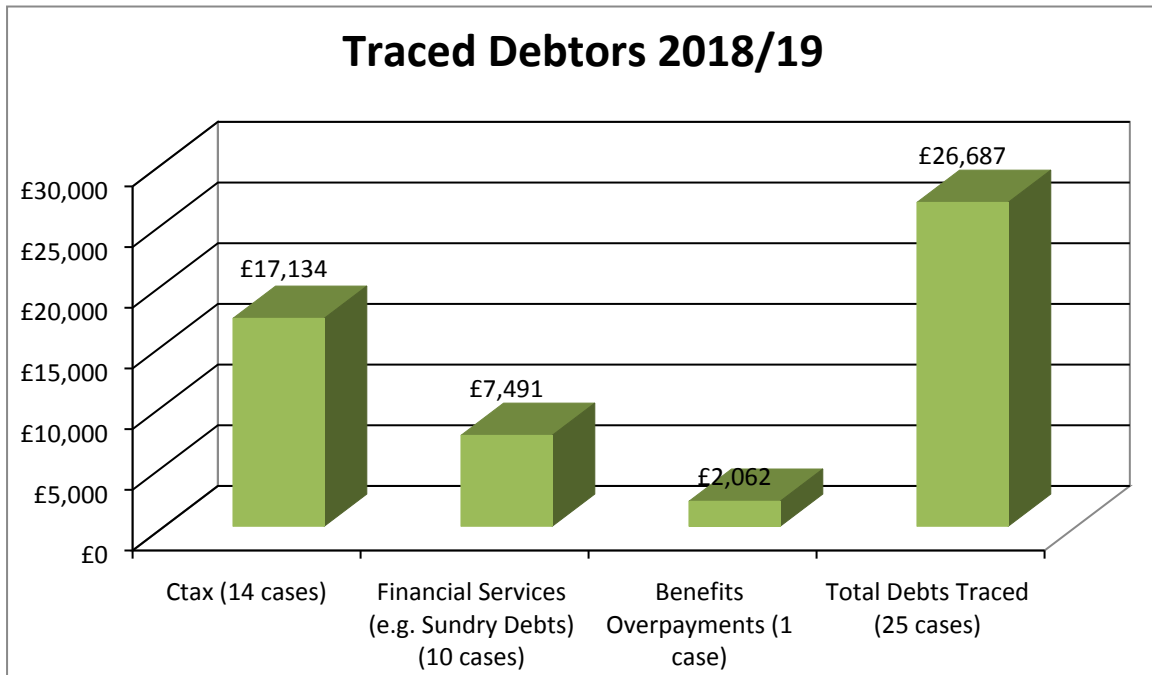
The audit of Flood and Water Management has been removed from the plan. Discussions at the start of the audit revealed that the level of assurance gained during the Emergency Planning audit covers most of the legislative requirements of the Council in relation to Flood and Water management and nothing further could be gained by re-doing this work so soon after the Emergency Planning audit. 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 April 2018 – March 2019

3.1 The total fraud and error identified during 2018/19 amounts to £94,782:

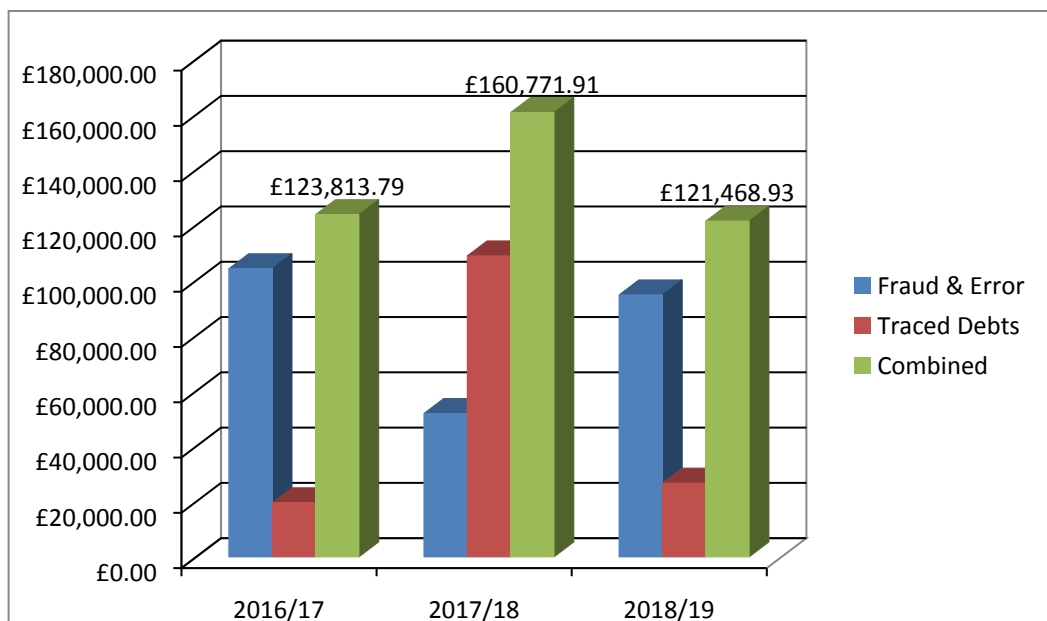


3.2 Investigation work has continued on an adhoc basis to attempt to trace debtors/absconders who have not advised of their address/contact information but have outstanding arrears with the Authority. Where a successful trace has been made any new address/contact information is being passed on to the relevant section for recovery purposes. The following values of Debtors/Absconders have been identified during 2018/19:



3.3 Other investigation work has resulted in 41 Council Tax accounts being amended from a Single Person Discount award to a Student Disregard (the council tax liability has not changed but future fraud and error may have been prevented). Furthermore one new Business Rates property was identified.

3.4 During the financial year 2018/19, investigations have been conducted into **3,845** cases of fraud and error. Below is a comparison of the results from investigations during the past 3 financial years to show how this year's work compares:



3.5 As part of the investigation work conducted, data matching exercises are carried out with the Cabinet Office's National Fraud Initiative, these exercises cross-over financial years and form part of the fraud and error figures stated above at 3.1.

There are currently two themes of National Fraud Initiative (NFI) reporting being completed:

- 1) The NFI National Exercise – 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.
- 2) The Flexible Matching Service (FMS) – This is carried out annually, focusing primarily on Council Tax data matches in need of investigation. 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.

3.6 A further exercise has been carried out with the Revenues Department known as "DataTank". This primarily focuses upon Council Tax matches in need of investigation, but some customers may also receive benefit entitlement that needs to be investigated.

3.7 Below is a table outlining the number of data matches that have been received, processed, errors identified and value identified from those errors (these figures are included within the above figures at 3.1 where matches have been processed during the period 2018/19 only):

| <b>Exercise</b>                      | <b>Matches Received as at 31/03/19</b> | <b>Matches Processed as at 31/03/19</b> | <b>Matches left as at 31/03/19</b> | <b>Errors identified as at 31/03/19</b> | <b>Value identified as at 31/03/19</b> |
|--------------------------------------|--|---|------------------------------------|---|--|
| <b>NFI National Exercise 2016/17</b> | 3,227                                  | 3,227                                   | 0                                  | 68                                      | £128,681                               |
| <b>NFI National Exercise 2018/19</b> | 1,706                                  | 181                                     | 1,525                              | 0                                       | 0                                      |
| <b>NFI FMS 2017</b>                  | 3,094                                  | 3,094                                   | 0                                  | 156                                     | £50,545                                |
| <b>NFI FMS 2018</b>                  | 4,114                                  | 4,104                                   | 10                                 | 135                                     | £34,017                                |
| <b>NFI FMS 2019</b>                  | 2,780                                  | 397                                     | 2,383                              | 0                                       | 0                                      |
| <b>DataTank 2018</b>                 | 296                                    | 296                                     | 0                                  | 12                                      | £7,356                                 |
| <b>TOTAL</b>                         | <b>15,217</b>                          | <b>11,299</b>                           | <b>3,918</b>                       | <b>371</b>                              | <b>£220,599</b>                        |

3.8 Work has commenced to produce an Anti-Fraud and Corruption Risk Register which will be used by Internal Audit to help identify any potential areas of fraud and to then further mitigate those risks where possible.

3.9 In December 2019 joint working with the Department for Work & Pensions Single Fraud Investigation Service commenced on cases of suspected Council Tax Reduction Fraud where DWP benefits are also under suspicion of fraud. This was implemented regionally, with all relevant data sharing agreements and privacy statements set in place in advance.

3.10 A Norfolk wide Counter Fraud Hub has been established by Norfolk County Council with all 7 of the District Authorities within Norfolk. This will result in specific data sets being matched against the data sets of all 8 organisations in order to detect discrepancies, fraud and error to be investigated. As part of this work it is planned to carry out data matching of Business Rates data in the near future with a view to investigating fraudulent claims for Small Business Rates Relief.

#### **4. Issues for the Panel to Consider**

4.1 The Committee needs to consider if the work completed by the Internal Audit team during 2018-19 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. Financial Implications**

6.1 None to Consider.

#### **7. Any other Implications/Risks**

7.1 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.

#### **8. Conclusion**

8.1 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.

#### **9. Background Papers**

Strategic Internal Audit Plan 2018-19.  
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 April to March 2018-19   | Overall Opinion       |
|---|-----------------------|
| <p><u>Care and Repair</u><br/>Report published September 2018<br/>3 High recommendations and 7 Medium recommendations were made. The High recommendations relate to record keeping and contracts with partners. The medium recommendations relate to record keeping, invoice processing, review fee levels and ensuring that we are comparable with national thresholds in place.</p>   | Substantial Assurance |
| <p><u>Asset Register and Inventories</u><br/>Report published February 2019.<br/>2 Low risk and 7 Medium risk recommendations were made. The medium recommendations related to the Town Hall assets and inventories systems and insurance processes. Data cleansing of the current systems are ongoing and a review of the new financial management system to establish if it can provide the assets management required for all council assets in the future.</p>  | Substantial Assurance |
| <p><u>Alive Leisure</u><br/>Report published January 2019.<br/>Due to the ongoing review and options being considered for future provision of the service this audit did not provide an assurance rating however recommendations were made to management for consideration in the new arrangements.<br/>6 recommendations were made relating to Financial sustainability and business risks and governance. The invoicing arrangements and linking the new arrangements in with the new finance system.</p> | N/A                   |
| <p><u>Ethical Culture</u><br/>Report published February 2019.<br/>3 Low risk recommendations were made.</p>   | Full Assurance        |
| <p><u>Revenues (Council Tax and NNDR)</u><br/>Report published December 2018.<br/>No recommendations were made.</p>   | Full Assurance        |
| <p><u>Housing Benefits</u><br/>Report published February 2019.<br/>1 High risk recommendation made and 2 medium risks. All of the recommendations related to Discretionary Housing Payments. The high risk recommendation related to ensuring the procedures / guidance is updated every year to take into account changes in legislation and the medium risks related to automating forms and guidance for officers.</p>   | Full Assurance        |

| Audits completed April to March 2018-19  | Overall Opinion       |
|--|-----------------------|
| <p><u>Accounts Receivable</u><br/>Report published February 2019.<br/>14 recommendations were made in total; however 3 of them are being addressed as part of the implementation of the new finance system. The remaining recommendations included 8 medium risk and 3 low risks. The medium risks related to procedures for system access and debt recovery and write offs.</p>   | Substantial Assurance |
| <p><u>Risk Management</u><br/>Report published January 2019.<br/>13 low risk and 4 medium risk recommendations were made. The medium risk recommendations related to training for officers and members, reviewing risk scores after training, introducing operational risk registers and publishing the Risk Management Policy and Strategy.</p>   | Substantial Assurance |
| <p><u>Child Protection</u><br/>Report due to be published. Update to follow in next progress report</p>  | Substantial Assurance |
| <p><u>Treasury Management</u><br/>Report due to be published. Update to follow in next progress report</p>   | Substantial Assurance |
| <p><u>External Communications</u><br/>Report due to be published. Update to follow in next progress report</p>   | Full Assurance        |
| <p><u>Housing Strategy</u><br/>Report due to be published. Update to follow in next progress report</p>  | Substantial Assurance |
| <p><u>KLIC Lessons Learnt Review</u><br/>Report published March 2019.<br/>The KLIC Lessons Learnt Review was commissioned by the Chief Executive and produced in a different format to our typical reports. An assurance rating was not applied to this piece of work, but the results were presented directly to the members of the Audit Committee and Full Council. There were 35 recommendations made that have been considered in detail by the Audit Committee and a cross party working group has been established to continue to review the recommendations. In addition to the cross party working group and independent review has been commissioned as requested by Full Council. The results of the independent review, the cross party working group and the follow up review to Internal Audit's review will be considered as part of next year's audit opinion.</p> |                       |

|  |                        |
|--|------------------------|
| <b>Audits completed April to March 2018-19</b> | <b>Overall Opinion</b> |
|--|------------------------|

Follow up report

|  |   |                                |
|--|---|--------------------------------|
| <p><u>Information management and Security</u><br/>The report published in September 2017 contained 5 low recommendations. 1 is complete, three are progressing as planned and 1 is no longer required.</p>   | <p>Sept 2017<br/>Full Assurance</p>       | <p>June 2018<br/>Very Good</p> |
| <p><u>Housing Options and Allocations</u><br/>The report published in February 2017 contained 1 high recommendation, 4 medium recommendations and 2 low recommendations. Due to staffing issues within the team progress is slower than anticipated on the recommendations. A further follow up has been scheduled for November 2018.</p>      | <p>Feb 2017<br/>Substantial Assurance</p> | <p>Aug 2018<br/>Adequate</p>   |
| <p><u>Housing Standards</u><br/>The report published in October 2017 contained 5 high recommendations and 1 medium recommendation 2 of the high recommendations are complete and 1 is progressing as planned. There are high recommendations progressing slower than planned and a further follow up has been scheduled for November 2018.</p> | <p>Oct 2017<br/>Limited Assurance</p>     | <p>Aug 2018<br/>Adequate</p>   |
| <p><u>Cemeteries and Crematorium</u><br/>The report published in February 2018 contained 2 low recommendations. Both are now complete.</p>   | <p>Feb 2018<br/>Full Assurance</p>        | <p>Sept 2018<br/>Very Good</p> |
| <p><u>Planning Control</u><br/>The report published in February 2018 contained 5 high risk, 3 medium risk and 1 low risk recommendation. All of these recommendations have been actioned.</p>  | <p>Feb 2018<br/>Limited Assurance</p>     | <p>Jan 2019<br/>Very Good</p>  |
| <p><u>Industrial Estates</u><br/>The report published in May 2019 contained 3 medium recommendations. 2 of these are complete and one is progressing as planned and is due for completion in June 2019.</p>  | <p>May 2018<br/>Substantial Assurance</p> | <p>Feb 2019<br/>Good</p>       |

**Audits completed April to March 2018-19**

**POLICY REVIEW AND DEVELOPMENT PANEL REPORT**

|                 |  |   |     |
|-----------------|--|---|-----|
| REPORT TO:      | Audit Committee                        |   |     |
| DATE:           | 3 June 2019                            |   |     |
| TITLE:          | Audit Committee Effectiveness 2018/19  |   |     |
| TYPE OF REPORT: | Monitoring                             |   |     |
| PORTFOLIO(S):   | Cllr Long, Finance                     |   |     |
| REPORT AUTHOR:  | Kathy Woodward, Internal Audit Manager |   |     |
| OPEN            |  | WILL BE SUBJECT TO A FUTURE CABINET REPORT: | Yes |

**REPORT SUMMARY/COVER PAGE**

|   |
|---|
| <b>PURPOSE OF REPORT/SUMMARY:</b>   |
| 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 Committee during the year 2018/19 and considers if the Committee has effectively fulfilled its role.  |
| <b>KEY ISSUES:</b>  |
| 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.  |
| <b>OPTIONS CONSIDERED:</b>  |
| Not applicable.   |
| <b>RECOMMENDATIONS:</b>   |
| That the Audit Committee considers the content of the report and decides if it accurately reflects the work of the Committee in 2018/19.<br><br>That the Audit Committee confirms their agreement to the Chair taking the report to Cabinet as evidence that the Committee operated effectively. Due to the change in membership of the committee it may be considered appropriate for the Internal Audit Manager to present this report to Cabinet for the 2018/19 year. |
| <b>REASONS FOR RECOMMENDATIONS:</b>   |
| 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 2018/19.

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 2018-19

Throughout 2018-19 the Audit Committee held 6 meetings and received a total of 26 reports on a number of issues, including:

#### Internal Audit and Fraud

- Internal Audit Annual Report and Opinion 2017-18
- Internal Audit Plan 2017-18 – End of year progress report
- Internal Audit and Fraud half year progress report 18-19
- Strategic Internal Audit Plan 2019-24
- KLIC Review

#### External Audit

- Annual Audit Letter for year ended 31 March 2018
- External ISA 260 report
- External Audit Plan

#### Finance

- Certification of Claims and Annual Report 2016-17
- Certification of Claims and Annual Report 2017-18
- Annual Treasury Report 2017-18
- Statement of Accounts 2017-18
- Mid-year Treasury Report 2018-19

#### Corporate Governance and Risk

- Draft Annual Governance Statement
- Annual Governance Statement
- Update on the Annual Governance Statement
- Draft Code of Corporate Governance
- Audit Committee Effectiveness Review 2017-18
- Business Continuity Annual Update
- Risk Register Update May 2018 and November 2018
- Risk Management Policy and Strategy Review
- Record Retention and Disposal Policy Review
- Risk Based Verifications – 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 5 training sessions during the year on:

- Internal Audit Vs External Audits
- Audit Committee – An Introduction
- Review of Funding
- Statement of Accounts
- Treasury Strategy

During the year it was agreed that all members of the Audit Committee are to attend compulsory training sessions held throughout the year. These will also be made available to all members of the Council.



#### **4. Conclusion**

During 2018-19 the Audit 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 2018-19

## 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 |  |  | Principal 6 n the AGS includes a description of the Audit 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.<br>Quorum set through Standing Orders. |  |
| 1.10 | Is the chair independent of the executive function?                              | Y |  |  |   |  |

## 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 maximize participation. In 2018-19 it was decided that all members of the Audit Committee must be trained to be able to participate in future discussions. |  |
| 1.13            | Have all member's skills and experiences been assessed and training given for identified gaps?   | Y |   |   | Members training requirements are discussed at each meeting to identify any gaps and a training programme has been designed to cover all previously identified training needs. 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.  |  |
| <b>Meetings</b> |  |   |   |   |  |  |
| 1.16            | Does the committee meet regularly?   | Y |   |   | 6 meetings were held in 2018-19. The programme for 2019-20 includes 6 planned meetings, but this may increase if the Committee needs to consider urgent reports in the intervening time.   |  |

## Borough Council of King's Lynn and West Norfolk

For the year 2018-19

## Audit and Risk Committee Self-Assessment Exercise

| No                         | Issue   | Y | P | N | Evidence/ Comment  | Action Required |
|----------------------------|---|---|---|---|--|-----------------|
| 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.  |                 |
| 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 Executive Director, Finance Services / Deputy Chief Executive (S151)   |                 |
| 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.  |                 |
| <b>2. INTERNAL CONTROL</b> |   |   |   |   |  |                 |
| 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 2017-18 was presented on 30 May 2018, which included an assessment of the effectiveness of Internal Audit.   |                 |

## Borough Council of King's Lynn and West Norfolk

For the year 2018-19

## Audit and Risk Committee Self-Assessment Exercise

| No  | Issue   | Y | P | N | Evidence/ Comment   | Action Required |
|-----|---|---|---|---|---|-----------------|
| 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 30 July 2018 as a separate report from the Statement of Accounts 2017-18.   |                 |
| 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. They also received updates throughout the year and have an opportunity to consider it's meaningfulness. During 2018-19 the Code of Corporate Governance was also considered. |                 |
| 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.   |                 |

## Audit and Risk Committee Self-Assessment Exercise

| No   | Issue  | Y | P | N | Evidence/ Comment  | Action Required |
|--|--|---|---|---|--|-----------------|
| 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.   |                 |
| <b>3. FINANCIAL REPORTING &amp; REGULATORY MATTERS</b> |  |   |   |   |  |                 |
| 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.<br>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"> <li>▪ The suitability of accounting policies and treatments</li> <li>▪ Major judgements made</li> <li>▪ Large write-offs</li> <li>▪ Changes in accounting treatment</li> <li>▪ The reasonableness of accounting estimates</li> <li>▪ The narrative aspects of reporting?</li> </ul> | 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 |   |   | The Committee met in July 2018 to discuss the external auditors report and issues arising.   |                 |
| 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  |                 |

## Borough Council of King's Lynn and West Norfolk

For the year 2018-19

## Audit and Risk Committee Self-Assessment Exercise

| No                       | Issue  | Y | P | N | Evidence/ Comment  | Action Required |
|--------------------------|--|---|---|---|--|-----------------|
|                          |  |   |   |   | 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 Deputy Chief Executive (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 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.   |                 |
| <b>4. INTERNAL AUDIT</b> |  |   |   |   |  |                 |
| 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 2018-19 the Plan was presented on 12 <sup>th</sup> February 2018.                                 |                 |
| 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.   |                 |

## Audit and Risk Committee Self-Assessment Exercise

| No  | Issue  | Y | P | N | Evidence/ Comment  | Action Required    |
|-----|--|---|---|---|--|--------------------|
| 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 May.  |                    |
| 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 2018-19.   |                    |
| 4.6 | Is there appropriate co-operation between the internal and external auditors?  | Y |   |   | Ernst and Young receive all Internal Audit reports, but adopt a substantive audit approach and perform their own tests. This was discussed in detail with the Audit Committee and Ernst and Young in May 2018. Internal Audit and External audit hold periodic meeting to discuss issues of concern and update on each others progress where relevant. | 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.  |                    |



## Borough Council of King's Lynn and West Norfolk

For the year 2018-19

## Audit and Risk Committee Self-Assessment Exercise

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

|      |  |   |  |  |   |  |
|------|--|---|--|--|---|--|
| 4.10 | Has the audit committee considered the information it wishes to receive from internal audit? | Y |  |  | During 2018-19 specific reports were presented to member of the Audit Committee at their request. |  |
|------|--|---|--|--|---|--|

**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 2018-19.                                    |  |
| 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.   |  |
| 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?  | Y |  |  | Report to those charged with governance (ISA260) – 30 July 2018.<br>Annual Audit Letter – 17 September 2018<br>Audit Plan 2018-19 – 11 March 2019 |  |
| 5.6 | Does the audit committee assess the performance of external audit?   | Y |  |  | Considered as reports are presented.  |  |

## Audit and Risk Committee Self-Assessment Exercise

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

**6. ADMINISTRATION****Agenda Administration**

|     |   |   |  |   |   |                     |
|-----|---|---|--|---|---|---------------------|
| 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. All reports are dispatched within 6 working days prior to the committee dates. |                     |
| 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**

|     |   |   |  |   |   |                     |
|-----|---|---|--|---|---|---------------------|
| 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. |  |
|-----|---|---|--|--|--|--|

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 |
|-----|---|---|---|---|------------------------|-----------------|
| 6.8 | Do action points indicate who is to perform what and by when? | Y |   |   | If action is required. |                 |

ISSUES DISCUSSED AT MEETINGS OF THE AUDIT COMMITTEE 2018 – 2019

Appendix 2

| <u>Date of Meeting/Length of Meeting</u>                           | <u>Details</u>  | <u>Outcome/Recommendation</u>   |
|--|---|---|
| 30.05.18 (130 mins)  |   |   |
| A8: Training – Internal and External Audits                        | Training from the Shared Internal Audit Manager.  | To enable the Committee to gain an understanding of the difference between Internal and External Audits.  |
| A9: Certification of Claims and Annual Report 2016/2017            | Dan Cooke from Ernst and Young presented the Certification of Claims and Annual Report 2016/2017.   | The Committee received the Certification of Claims and Returns Annual Report 2016/2017.   |
| A11: Exempt Report – Risk Based Verification Policy Update         | The Revenues and Benefits Manager presented the report which provided an update for the Committee on Risk Based Verification activity over the past year.   | Update report.  |
| A12: Corporate Risk Register                                       | The Senior Policy and Performance Officer presented the report which detailed the changes to the Corporate Risk Register since the last monitoring report in October 2017.  | The Committee considered the contents of the Corporate Risk Register and confirmed agreement with Management Team’s assessment of the risks to the corporate objectives.                          |
| A13: Draft Annual Governance Statement covering the 2017/2018 year | The Senior Policy and Performance Officer outlined the purpose of the report and reminded Members that the report brought the Council’s draft Annual Governance Statement (AGS) 2018 to the Committee to review, challenge and provided an opportunity to input prior to the AGS being finalised and considered by the Committee at its meeting in July 2018. | The Committee reviewed the draft Annual Governance Statement 2018 and determined that the work undertaken to review the governance arrangements in place during the 2017/18 year was appropriate. |

| <u>Date of Meeting/Length of Meeting</u>                | <u>Details</u>  | <u>Outcome</u>  |
|---|---|---|
| A14: Internal Audit Annual Report and Opinion 2017/2018 | The Shared Internal Audit Manager presented the report which provided the Committee with an overview of the work undertaken by Internal Audit during 2017/18 and provided the Audit Manager's annual audit opinion on the system of internal control. | The Committee received the annual audit opinion and noted the work of Internal Audit for 2017/18.   |
| A15: Internal Audit Full Year Progress Report 2017/2018 | The Shared Internal Audit Manager presented the report which provided Members with an update on progress against the Internal Audit Strategic Plan 2017/18 that was endorsed by the Audit Committee at their meeting on 13 February 2017.             | The Committee reviewed the progress against the planned work and ensured that it complied with the requirement of the Accounts and the Audit Regulations 2015.  |
| A16: Audit Committee Effectiveness Report 2017/2018     | The Shared Internal Audit Manager presented the report which reviewed the work of the Audit Committee during the year 2017/18 and considered if the Committee had effectively fulfilled its role.   | That the Audit Committee: <ul style="list-style-type: none"> <li>1) Considered the content of the report and decided it accurately reflected the work of the Committee in 2017/18.</li> <li>2) Confirmed their agreement to the Chairman taking the report to Cabinet as evidence that the Committee operated effectively.</li> </ul> |
| <b>30.07.18</b> (120 mins)                              |   |   |
| A24: Training – Statement of Accounts                   | The Committee received training from the Group Account on the Statement of Accounts.  |   |

| <u>Date of Meeting/Length of Meeting</u>                     | <u>Details</u>  | <u>Outcome/Recommendation</u>  |
|--|---|--|
| A25: Statement of Accounts and External ISA 260 Report       | <p>In presenting the ISA 260 report, the External Auditor, Dan Cook, advised that the audit of the BCKLWN had been completed for the year ended 31 March 2018 and that the outstanding matters listed in their report had now all been concluded. He confirmed that they were issuing an unqualified audit opinion on the financial statements in the form at Section 3. He acknowledged the assistance given by the S151 Officer and her team to carry out the audit, particularly with the new deadline of 31 July 2018 for the closure of accounts.</p> <p>The Committee considered the Statement of Accounts.</p> | <p>The Audit Committee:</p> <ol style="list-style-type: none"> <li>1) Considered the comments of the Auditor in the ISA 260.</li> <li>2) Approved the Statement of Accounts for 2016/2017 as now amended.</li> </ol>   |
| A26: Annual Governance Statement covering the 2017/2018 Year | <p>In presenting the report, the senior Policy and Performance Officer reminded the Committee that the preparation and publication of an Annual Governance Statement (AGS) was a statutory requirement. The AGS was a public statement that described and evaluated the Council's overall governance arrangements, in particular, how it had complied with the Code of Corporate Governance during a particular financial year.</p>   | <ol style="list-style-type: none"> <li>1) The Committee confirmed that the 2018 Annual Governance Statement properly reflected the risk environment and that actions required to improve it were in hand.</li> <li>2) The Committee approved the 2018 Annual Governance Statement and confirmed that the Chairman of the Audit Committee should sign accordingly.</li> </ol> |
| A27: Annual Treasury Outturn Report 2017/2018                | <p>The Committee considered the report which reminded Members that the Council had formally adopted the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (2009) and remained fully compliant with its requirements. As such there was a requirement to make an annual review of its Treasury operation for the previous year.</p>  | <p>That the Actual Treasury Outturn 2017/2018 be approved.</p>   |

| <u>Date of Meeting/Length of Meeting</u>              | <u>Details</u>   | <u>Outcome/Recommendation</u>  |
|---|--|--|
| <b>17.09.18</b> (17 mins)                             |  |  |
| A36: Annual Audit Letter for year ended 31 March 2018 | The Executive Director – Finance presented the Annual Audit Letter for the year ended 31 March 2018.   | The Audit Committee received and noted the Annual Audit Letter for year ended 31 March 2018.   |
| <b>12.11.18</b> (117 mins)                            |  |  |
| A45: Mid-Year Treasury Report 2018/2019               | <p>The Financial Services Manager presented the Mid-Year Review Treasury Report 2018/2019 and reminded Members that the Council had formally adopted the CIPFA Code of Practice on Treasury Management (2011) and remained fully compliant with its requirements.</p> <p>The Committee was advised that one of the primary requirements of the Code is receipt by Council of a Mid-Year Review Report.</p> | <b>RESOLVED:</b> The Audit Committee reviewed the report and the treasury activity.  |
| A46: Business Continuity Annual Update                | The Senior Policy and Performance Officer presented the annual update report which outlined the current position of the Council's business continuity arrangements, summarised progress made since the last update in November 2017 and described work that was planned to be undertaken over the coming months.   | <p><b>RESOLVED:</b> The Audit Committee:</p> <ol style="list-style-type: none"> <li>1) Reviewed progress made and endorsed the approach being taken to the Council's business continuity arrangements.</li> <li>2) Confirmed annual updates to be presented to the Committee.</li> </ol> |
| A47: Corporate Risk Register Monitoring Report        | The Senior Policy and Performance Officer presented the report which outlined the changes to the Corporate Risk Register since the last monitoring report in May 2018. The report set out details of the risks falling into the 'Very High' category and the associated work being progressed to mitigate the effects.   | <p><b>RESOLVED:</b> The Audit Committee:</p> <ol style="list-style-type: none"> <li>1) Considered the contents of the Corporate Risk Register and confirmed agreement with Management Team's assessment of the risks to the Corporate Objectives.</li> </ol>                             |

|  |   |  |
|--|---|--|
|  |   | <p>2) To monitor the proposed Cinema Project if approved by Cabinet on 13 November 2018.</p> <p>3) To monitor progress on major housing schemes.</p> |
| A48: Risk Management Policy and Strategy Review  | The Senior Policy and Performance Officer advised Members that the Council's risk management policy and strategy were due to be refreshed in March 2019. The report introduced a draft framework and sought Member's comments. Members were advised that a final version will be presented to the Committee in January 2019 to take forward to Cabinet in March 2019.   | <b>RESOLVED:</b> The Committee confirmed the draft report and noted that the Committee would receive the final version on 28 January 2018.           |
| A49: Record Retention and Disposal Policy Review | The Senior Policy and Performance Officer advised that the Council's record retention and disposal policy and strategy were due to be refreshed. The report introduced a draft framework and sought Member's comments. It was noted that a final version would be presented to the Committee in January 2019 to take forward to Cabinet in March 2019.  | <b>RESOLVED:</b> The Audit Committee confirmed the draft documents and noted that a final version would be presented to Members on 28 January 2019.  |
| A50: Internal Audit Half Year Progress Report    | <p>The Internal Audit Manager presented the report which provided Members with an update on progress against the Internal Audit Strategic Plan 2018/19 that was endorsed by the Audit Committee at the meeting on 12 February 2018. It was highlighted that the report also provided an update on the fraud work for the first half of the year.</p> <p>Members were informed that a member of staff had left the Council's Audit Team and a recruitment process was undertaken which had had an impact on the audits completed during the first half of 2018/2019.</p> | <b>RESOLVED:</b> The Audit Committee reviewed the progress against the audit plan and noted the update of the fraud work.                            |



| <u>Date of Meeting/Length of Meeting</u>   | <u>Details</u>   | <u>Outcome/Recommendation</u>  |
|--|--|--|
| <b>28.01.19</b> (66 mins)  |  |  |
| A59: Risk Management Policy and Strategy Review – Final Report                           | <p>The Senior Policy and Performance Officer presented the final version of the report prior to it being taken forward to Cabinet in march 2019.</p> <p>Members were reminded that a draft version of the report was presented to the Committee in November 2018 and drew Members’ attention to section 3.2 of the report which set out the two amendments by the Committee at their previous meeting.</p> | <p><b>RESOLVED:</b> The Panel approved the final version of the report prior to it being presented to Cabinet in March 2019, subject to the following recommendation:</p> <p>“This policy/strategy will be reviewed every three years, or earlier in the light of new guidance, to ensure it remains relevant to the needs of the council. The next review will take place no later than March 2022.</p> |
| A60: Record Retention and Disposal Policy Review – Final Report                          | <p>The Senior Policy and Performance Officer presented the final version of the report prior to it being taken forward to Cabinet in March 2019.</p> <p>Members were reminded that a draft version of the report was presented to the Committee in November 2018. It was noted that there were some modifications to the retention schedule at Appendix B.</p>   | <p><b>RESOLVED:</b> 1) The Committee approved the final version of the report prior to it being presented to Cabinet in March 2019.</p> <p>2)Legal advice be sought from Eastlaw on the legal requirement for the destruction of Committee Clerk’s notes and approval of the minutes.</p>  |
| A61: Update on Progress with the Annual Governance Statement covering the 2018/2019 Year | <p>The Senior Policy and Performance Officer reminded Members that at the Audit Committee meeting in July 2018, Members approved the Council’s Annual Governance Statement covering and reflecting back on the 2017/18 financial year.</p> <p>The report provided an update in relation to the action plan for 2018/2019.</p>  | <p><b>RESOLVED:</b> The Committee noted the progress report with the Council’s Annual Governance Statement arrangements.</p>   |

| <u>Date of Meeting/Length of Meeting</u>   | <u>Details</u>   | <u>Outcome/Recommendation</u>  |
|--|--|--|
| <b>11.03.19</b> (209 mins)   |  |  |
| A70: Annual Audit Plan for year ended 31 March 2019 – Ernst and Young, External Auditors | M Hodgson, Ernst and Young presented the Annual Audit Plan for year ended 31 March 2019.   | <b>RESOLVED:</b> The Committee received and noted the Annual Audit Plan for year ended 31 March 2019.  |
| A71: Certification of Claims Annual Report 2017/2018                                     | M Hodson, Ernst and Young presented the report which summarised the results of the external auditor's work on the Borough Council of King's Lynn and West Norfolk's 2017/2018 of the housing benefits subsidy claim.     | <b>RESOLVED:</b> The Audit Committee received and noted the Certification of Claims Annual Report 2017/2018.                                       |
| A72: Draft Code of Corporate Governance  | The Senior Policy and Performance Officer presented the report and reminded Members of the Terms of Reference of the Audit Committee. The Code information the preparation of the Statutory Annual Governance Statement. | <b>RESOLVED:</b> The Committee:<br><br>1) Reviewed the draft Code of Corporate Governance.<br><br>2) Recommended the Code for approval by Cabinet. |
| A73: Strategic Internal Audit Plan 2019/2024   | The Audit Manager presented the Internal Audit Strategic Plan 2019/2024 which provided the Committee with the opportunity to review the proposed Strategic Internal Audit Plan for 2019/2024.                            | <b>RESOLVED:</b> The Committee acknowledged the Internal Audit resources and agreed the work planned for 2019/2024.                                |

| <u>Date of Meeting/Length of Meeting</u>   | <u>Details</u>  | <u>Outcome/Recommendation</u>  |
|--|---|--|
| <p>A75: <b><u>Exempt Report</u></b><br/>           (The press and public were excluded for this item)<br/>           Risk Based Verification Policy Update for 2019/2020</p> | <p>In presenting the report the Revenues and Benefits Manager explained that the Council introduced Risk Based Verification (RBV) to assess the risk of fraud and error in new claims for Housing Benefit and Council Tax Support from April 2015. In February 2016 RBV was extended to include changes of circumstance. The report provided an update for the Committee on RBV activity over the past year, and made some minor updates to the RBV policy.</p> | <p><b>RESOLVED:</b> Members noted and agreed the RBV policy and the RBV procedure updates in the report.</p>   |
| <p>A76: <b><u>Exempt Report</u></b><br/>           (The press and public were excluded for this item)<br/>           KLIC Review Report</p>                                  | <p>The Internal Audit Manager presented the report.<br/><br/>           The Committee discussed the report.</p>   | <p><b>RESOLVED:</b> 1) Eastlaw does provide a redacted version of the report for the Council with reasons for redactions, as soon as possible.</p> <p>2)A cross party working group be established to consider the report, lessons learnt and a way forward and report back to the Audit Committee.</p> <p>3)The Major Projects Board does establish a report mechanism to enable the Audit Committee to monitor major projects and identify any steps or action required and commence a programme of reviewing each of the large scale projects currently underway.</p> |

**AUDIT COMMITTEE REPORT**

|                 |  |   |    |
|-----------------|--|---|----|
| REPORT TO:      | Audit Committee  |   |    |
| DATE:           | 3 June 2019  |   |    |
| TITLE:          | Membership of Cross Party Working Group – KLIC Review Report |   |    |
| TYPE OF REPORT: | Operational  |   |    |
| PORTFOLIO(S):   |  |   |    |
| REPORT AUTHOR:  | Wendy Vincent, Democratic Services Officer                   |   |    |
| OPEN/EXEMPT     | OPEN   | WILL BE SUBJECT TO A FUTURE CABINET REPORT: | No |

**REPORT SUMMARY/COVER PAGE**

|  |
|--|
| <b>PURPOSE OF REPORT/SUMMARY:</b>  |
| <p>This report invites the Audit Committee to arrange for the appointment of Members to serve on the Cross Party Working Group which was established during 2018/2019 to look at the KLIC Review report.</p> <p>The Committee has established the Cross Party Working Group – 2018/2019. The work of the Cross Party Working Group is ongoing. The membership of the Group is - (10 Members - 3 Conservative, 2 Independent, 1 Labour). Last year's membership (5) was as follows:</p> <p>Councillor J Collop, S Dark, G Middleton, J Moriarty and T Tilbrook.</p> |
| <b>KEY ISSUES:</b>   |
| <p>At their meeting on 11 March 2019, the Committee agreed to establish a Cross Party Working Group to look at the KLIC Review Report, lessons learnt and a way forward and report back to the Audit Committee.</p>  |
| <b>RECOMMENDATION:</b>   |
| <p>That the current Cross Party Working Group established by the Committee continue to operate and that the Committee confirm the Membership.</p>  |
| <b>REASONS FOR RECOMMENDATION:</b>   |
| <p>To allow the business of the Cross Party Working Group to continue to review the KLIC Review report.</p>  |

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

**AUDIT COMMITTEE CROSS PARTY WORKING GROUP**

**Minutes of the Meeting of the above held on Wednesday, 17th April, 2019  
at 11.15 am in the Chief Executive's Office, Second Floor, King's Court,  
Chapel Street, King's Lynn**

**PRESENT:**

Councillors J Collop, G Middleton and T Tilbrook

|          |  | <b><u>ACTION</u></b> |
|----------|--|----------------------|
| <b>1</b> | <p><b><u>APPOINTMENT OF CHAIRMAN</u></b></p> <p><b>RESOLVED:</b> That Councillor G Middleton be appointed Chairman.</p>  |                      |
| <b>2</b> | <p><b><u>APPOINTMENT OF VICE-CHAIRMAN</u></b></p> <p>That Councillor J Collop be appointed Vice-Chairman.</p>  |                      |
| <b>3</b> | <p><b><u>APOLOGIES</u></b></p> <p>An apology for absence was received from Councillor J Moriarty.</p>  |                      |
| <b>4</b> | <p><b><u>DRAFT TERMS OF REFERENCE</u></b></p> <p>The Chairman, Councillor Middleton explained that the purpose of the meeting was to discuss the Terms of Reference of the Cross Party Working Group and to look at a timescale to report back to the Audit Committee and to consider the regularity of meetings of the working group.</p> <p>R Harding provided an overview of the process for the external investigation, which had been discussed and agreed by the Leader.</p> <p>The Working Group discussed their remit and how they could structure and assist the LGA in the independent investigation.</p> <p>Members present discussed and suggested how they could undertake the investigation, which would include examining relevant documents, interviewing both officers and Councillors, and speaking to the LEP, etc.</p> |                      |

|   |    |
|---|----|
| <p>R Harding advised that legal advice had been sought from Eastlaw, together with Counsel's opinion on the suite of legal documents relating to KLIC</p>   |    |
| <p>L Gore provided an overview of the meeting held with Ernst and Young, the Council's External Auditors regarding the arrangements for the publication of the Borough Council's accounts.</p>                                |    |
| <p>R Harding explained that the proposed role and membership of the Major Projects Member Board Group and outlined with interim work which was being undertaken.</p>  |    |
| <p>The working group considered the draft Terms of Reference and suggested the following amendment:</p>   |    |
| <ul style="list-style-type: none"> <li>• Add: The cross party working group to consider the role of Council appointed Directors to an outside body.</li> </ul>  | RH |
| <p>The Chairman, Councillor Middleton commented that it was the decision of the Group Leaders to put forward nominations. The working group commented that it was important to nominate Members with the relevant skills.</p> |    |
| <p><b>AGREED:</b> 1) Draft Terms of Reference be amended as set out above.</p>  | RH |
| <p>2) R Harding to forward details of the LGA contact and membership of the investigation team to the Task Group when available.</p>  | RH |
| <p>3) Cross Party Working Group to report back to the Audit Committee in September 2019.</p>  | WG |
| <p>4) The next meeting of the Working Group be convened in early June 2019. K Woodward and M Head be invited to attend.</p>   | WV |
| <p>5) Background papers from the Internal Audit Team be available for the Working Group to examine.</p>   | KW |
| <p>6) A copy of NWES accounts, credit checks and current structure be obtained and be made available to the Working Group.</p>  | LG |
| <p>7) The Working Group to receive legal advice from Eastlaw on the role and responsibility of Council appointed Directors to an outside body.</p>  | RH |
| <p>8) The proposals for the Major Projects Member Board Group be presented to the Working Group at a future meeting.</p>  | RH |

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**DATE OF NEXT MEETING**

To be convened in early June 2019.

**The meeting closed at 12.17 pm**

# DRAFT

## Terms of Reference - Audit Committee Cross Party Working Group

- 1) Review in depth the Internal Audit Report considered by Audit Committee at the meeting held on 11<sup>th</sup> March 2019:
  - Identify any areas for further investigation by internal audit.
  - Review issues raised by Audit Committee Members.
- 2) Consider in depth the 'Lessons Learned' and management response identified in the internal Audit Report.:
  - Identify areas for additional improvement not addressed, or not addressed fully in the Internal. Audit. Report.
  - Identify further areas for improvement over and above those set out in the management response.
- 3) Consider the Terms of Reference for the Major Projects Board (MPB)
  - Put forward proposal for changes and enhancements to the MPB structure, Terms of Reference and method of operation.
  - Consider and prepare proposals for greater Member input, oversight and scrutiny of Major Capital projects, including:
    - Role of Cabinet.
    - Role of Audit Committee.
    - Member interface with the Major Projects Board.
    - Role of Corporate Performance Panel.
    - Role of other Panels.
    - Levels of delegation to Cabinet, Portfolio Holders and Senior Officers.
- 4) Address any other issues and concerns identified during the course of the Working Group's work.
- 5) The Cross Party Working Group to consider the role of Council appointed Directors to an outside body.



## AUDIT COMMITTEE WORK PROGRAMME 2019/2020

| DATE OF MEETING | TITLE  | TYPE OF REPORT  | LEAD OFFICER | OBJECTIVES AND DESIRED OUTCOMES   |
|-----------------|--|-----------------|--------------|---|
| 3 June 2019     | Appointment of Vice-Chairman                                   |                 |              |   |
| 3 June 2019     | Training/Briefing – Audit Committee: An Introduction           |                 | K Woodward   |   |
| 3 June 2019     | Revised External Audit Plan                                    |                 | M Hodgson    | To consider the revised External Audit Plan.  |
| 3 June 2019     | Corporate Risk Register  | Monitoring      | G Greaves    | To note the report which presents the changes to the Risk Register since the last report.                                   |
| 3 June 2019     | Draft Annual Governance Statement covering the 2018/2019 year. | Monitoring      | G Greaves    | To receive and note the draft Annual Governance Statement for the 2018/2019 year  |
| 3 June 2019     | Internal Audit Annual Report and Opinion 2018/2019             | Annual          | K Woodward   | To receive the Audit Manager's Annual Report.   |
| 3 June 2019     | Internal Audit Full Year Progress Report 2018/2019             | Progress Report | K Woodward   | To receive the Audit Manager's Annual report.   |
| 3 June 2019     | Audit Committee Effectiveness Report                           | Cabinet         | K Woodward   | To review the work of the Audit Committee during 201/2019 and consider if the Committee has effectively fulfilled its role. |

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Agenda Item 15

| DATE OF MEETING | TITLE   | TYPE OF REPORT | LEAD OFFICER                          | OBJECTIVES AND DESIRED OUTCOMES  |
|-----------------|---|----------------|---------------------------------------|--|
| 3 June 2019     | Membership of Audit Committee Cross Party Membership – KLIC Review report |                |                                       | The report invites the Audit Committee to arrange for the appointment of Members to serve on the Cross Party Working Group which was established during 2018/2019 to look at the KLIC Review Report. |
| 29 July 2019    | Training/Briefing – subject to be identified                              |                |                                       |  |
| 29 July 2019    | Statement of Accounts<br><b>(to be deferred – date to be agreed)</b>      |                | L Gore/<br>Financial Services Manager |  |
| 29 July 2019    | External ISA 260 Report   |                | L Gore/<br>Financial Services Manager |  |
| 29 July 2019    | Annual Governance Statement Covering the 2018/2019 year                   | Annual         | G Greaves                             | To approve the Annual Governance Statement for the 2018/2019 year.   |
| 29 July 2019    | Treasury Outturn Report 2018/2019   |                | Financial Services Manager            |  |

| DATE OF MEETING   | TITLE   | TYPE OF REPORT      | LEAD OFFICER               | OBJECTIVES AND DESIRED OUTCOMES  |
|-------------------|---|---------------------|----------------------------|--|
| 16 September 2019 | Training/Briefing – Statement of Accounts         |                     |                            |  |
| 16 September 2019 | Annual Audit Letter for Year ending 31 March 2019 | Annual Audit Letter | L Gore                     |  |
| 16 September 2019 | Report from Cross Party Working Group – KLIC      |                     | Cross Party Task Group     | To report back to the Audit Committee on the work undertaken by the Cross Party Working Group. |
|                   |   |                     |                            |  |
| 11 November 2019  | Training – subject to be identified               |                     |                            |  |
| 11 November 2019  | Business Continuity Update                        | Annual Update       | G Greaves                  |  |
| 11 November 2019  | Corporate Risk Register Monitoring Report         | Monitoring          | G Greaves                  | To note the report which presents the changes to the Risk Register since the last report.      |
| 11 November 2019  | Mid-Year Treasury Report                          | Mid-Year            | Financial Services Manager | To receive the mid-year report.  |
| 11 November 2019  | Internal Audit Half Year Progress Report          | Monitoring          | K Woodward                 | To receive the half year progress report.  |
|                   |   |                     |                            |  |

| DATE OF MEETING | TITLE   | TYPE OF REPORT | LEAD OFFICER | OBJECTIVES AND DESIRED OUTCOMES   |
|-----------------|---|----------------|--------------|---|
| 27 January 2020 | Training – subject to be identified   | Training       |              |   |
| 27 January 2020 | Update on progress with the Annual Governance Statement covering the 2019/2020 year | Update         | G Greaves    | To provide the Committee with an update on the progress with the Annual Governance Statement covering the 2019/2020 year. |
|                 |   |                |              |   |
| 11 March 2020   | Training – subject to be identified   |                |              |   |
| 11 March 2020   | Strategic Internal Audit Plan   |                | K Woodward   | To provide the Committee with the opportunity to review the proposed Strategic Audit Plan 2018 – 2023.                    |

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Potential Future Training Sessions

Contracts (Nora, Major Housing, Revenues and Benefits software, Refuse and Recycling).

Forthcoming Items – Date to be Identified

Monitoring of the Cinema Proposal, Corn Exchange

Monitoring of the Major Housing Scheme

Additional Audit Work – RIPA Desktop Inspection and GDPR legislation

Risk Register for each Capital Project currently being set up by Property Services (Final Version when available to be presented to the Audit Committee)