

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



REMINDER: Please be advised that a training session on the Statement of Accounts will be held for Members of the Audit Committee from 5 pm to 6 pm in the Committee Suite prior to the meeting.

# **Audit Committee**

## **Agenda**

**Monday, 5th September, 2016**  
at 6.00 pm

in the

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



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

22 August 2016

Dear Member

**Audit Committee**

You are invited to attend a meeting of the above-mentioned Committee which will be held on **Monday, 5th September, 2016 at 6.00 pm** in the **Committee Suite, King's Court, Chapel Street, King's Lynn** to discuss the business shown below.

Yours sincerely

Chief Executive

**AGENDA**

**1. Apologies**

**2. Minutes**

To approve the minutes from the Audit and Risk Committee held on 25 November 2015.

**3. Declarations of Interest**

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

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

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

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

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

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

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

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

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

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

**8. Statement of Accounts 2015/2016 (Pages 6 - 34)**

- (a) Audit Results Report ISA 260 for the year 31 March 2016.
- (b) The Statement of Accounts Report. **Please note that The Statement of Accounts Booklet is attached as a separate document to the Agenda.**

**9. Annual Governance Statement (Pages 35 - 56)**

**10. Monitoring Officer Report 2015/2016 (Pages 57 - 61)**

**11. Audit Committee Effectiveness Review (Pages 62 - 79)**

**12. Changes to arrangements for appointment of External Auditors (Pages 80 - 91)**

**13. Committee Work Programme 2016/2017 (Pages 92 - 93)**

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

**14. Date of Next Meeting**

To note that the date of the next meeting of the Audit Committee will take place on Monday 17 October 2016.

To:

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

**Portfolio Holder:**

Councillor B Long, Leader

**Management Team Representatives:**

Debbie Gates, Executive Director Head of Central & Community Services

Lorraine Gore, Assistant Director

Geoff Hall, Executive Director, Development and Environment

Ray Harding, Chief Executive

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

Item 8	Toby Cowper, Group Accountant
Item 9	Vanessa Dunmall, Performance and Efficiency Manager
Item 10	Emma Duncan, Monitoring Officer
Item 11 & 12	Kate Littlewood, Audit Manager

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

Audit Results Report - ISA (UK and Ireland) 260  
for the year ended 31 March 2016

19 August 2016

Ernst & Young LLP



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## Contents

<b>1. Executive summary .....</b>	<b>0</b>
<b>2. Responsibilities and purpose of our work.....</b>	<b>2</b>
<b>3. Financial statements audit .....</b>	<b>3</b>
<b>4. Value for money .....</b>	<b>8</b>
<b>Appendix A – Uncorrected audit differences .....</b>	<b>9</b>
<b>Appendix B – Corrected audit differences .....</b>	<b>10</b>
<b>Appendix C – Independence.....</b>	<b>12</b>
<b>Appendix D – Auditor fees .....</b>	<b>13</b>
<b>Appendix E – Request for a Management representation letter .....</b>	<b>14</b>
<b>Appendix F – Required communications with the audit committee .....</b>	<b>20</b>

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

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

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

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

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



## 1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

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

Status of the audit	<p>We have substantially completed our audit of the financial statements of Borough Council of King's Lynn and West Norfolk for the year ended 2015/16.</p> <p>The following areas of our work programme remain to be completed as of the date of this report:</p> <ul style="list-style-type: none"> <li>• completion of manager and director review procedures;</li> <li>• completion of subsequent events review and;</li> <li>• receipt of the signed management representation letter.</li> </ul> <p>We have performed the procedures outlined in our Audit Plan and subject to satisfactory completion of the outstanding items above anticipate issuing an unqualified opinion on the Authority's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We have performed the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We have no issues to report.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>We have identified one unadjusted audit difference within the draft financial statements, which management have chosen not to adjust.</p> <p>We request that this uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter or Representation.</p> <p>Appendix A to this report sets out the uncorrected misstatement. We do not consider these to be material to our audit opinion.</p> <p>Our audit identified a number of further audit differences which our team have highlighted to management for amendment. These have been corrected during the course of our work and further details are provided at Appendix B. These primarily relate to disclosure and presentational matters. These adjustments have not had an impact on useable reserves.</p>
Scope and materiality	<p>In our audit plan presented at the 23 February 2016 Audit Committee meeting, we communicated that our audit procedures would be performed using a materiality of £1.7 million. We have reassessed this based on the actual results for the financial year and there has been no change to the materiality level we have applied.</p>

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Scope and materiality (Continued)	<p>The threshold for reporting audit differences which impact the financial statements has also not changed. The basis of our assessment is 2% of gross operating expenditure, which has remained consistent with prior years.</p> <p>We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas, the areas identified and audit strategy applied include:</p> <ul style="list-style-type: none"><li>• Remuneration disclosures including any exit packages and termination benefits: Reduced materiality level of £5,000 is applied to our testing of disclosures for completeness and accuracy. This is in line with the bandings reported in the accounts;</li><li>• Related party transactions: Reduced materiality level of £50,000 is applied to testing of disclosures for completeness and accuracy. We also carry out Companies House searches to identify whether any key decision-makers in the Council had undisclosed interests; and</li><li>• Members allowances: review and test all transactions to supporting evidence.</li></ul> <p>We carried out our work in accordance with our Audit Plan.</p>
Significant audit risks	<p>We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:</p> <ul style="list-style-type: none"><li>• Non-current asset valuations;</li><li>• Risk of fraud in revenue recognition; and</li><li>• Risk of management override.</li></ul> <p>The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.</p>
Other reporting issues	<p>We have no other matters we wish to report.</p>
Control observations	<p>We have adopted a fully substantive approach and have therefore not tested the operation of controls.</p>

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

Mark Hodgson  
Executive Director  
For and on behalf of Ernst & Young LLP

## 2. Responsibilities and purpose of our work

### The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

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

### Purpose of our work

Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

### 3. Financial statements audit

#### Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p><b>Non-Current Assets</b></p> <p>Property, Plant and Equipment (PPE), and Investment properties represent the largest asset values on the Council's balance sheet. These assets are initially measured at cost and then revalued to fair value (determined by the amount that would be paid for the asset in its existing use) on a 5 year rolling basis. This is carried out by an internal valuer and is based on a number of complex assumptions. Annually assets are assessed to identify whether there is any indication of impairment. The introduction of IFRS13 Fair Value Measurement in 2015/16 will impact on Investment Property accounting.</p> <p>ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.</p> <p>Due to the nature, size and complexity of PPE and investment property accounting we consider this a significant risk.</p>	<ul style="list-style-type: none"> <li>• Reliance on management's experts and review of the instructions given to that valuer.</li> <li>• Consideration of the accounting treatments and basis of valuation as required by the Code of Practice and the introduction of IFRS 13 Fair Value Measurement specifically for Investment Properties this year.</li> <li>• Test of detail if required</li> <li>• Test of the journals and derivation of accounting entries.</li> <li>• Review of disclosures made in the accounts in regard to Fair Value for PPE and investment properties to ensure they are in line with the Code.</li> </ul>	<ul style="list-style-type: none"> <li>• We have gained sufficient assurance over the property, plant and equipment valuations and disclosures.</li> <li>• The PPE and Investment properties notes were not compliant with the new disclosures brought in by the code.</li> <li>• Officers have amended the financial statements to be compliant with the requirements of the Code.</li> <li>• We have no other matters to report.</li> </ul>

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p><b>Risk of fraud in revenue recognition</b></p> <p>Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.</p> <p>In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>One area which may be susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's Capital programme.</p>	<ul style="list-style-type: none"> <li>• Review and test revenue and expenditure recognition policies</li> <li>• Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias</li> <li>• Develop a testing strategy to test material revenue and expenditure streams</li> <li>• Review and test revenue cut-off at the period end date</li> <li>• We will test the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure.</li> </ul>	<ul style="list-style-type: none"> <li>• We have undertaken our review of accounting policies and discussed with management accounting estimates. We undertook substantive testing on income and expenditure streams testing the rationale of the transaction along with the value and did not identify any issues.</li> <li>• We have completed cut off testing on income and expenditure and have nothing to report in regards to income or expenditure being recorded recorded in the incorrect period.</li> <li>• Our testing on the capitalisation of expenditure has not identified any issues.</li> </ul>
<p><b>Risk of management override</b></p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<ul style="list-style-type: none"> <li>• Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</li> <li>• Reviewing accounting estimates for evidence of management bias, and</li> <li>• Evaluating the business rationale for significant unusual transactions.</li> </ul>	<p>Our audit work on journals and accounting estimates to date has not identified any evidence of management bias or significant unusual transactions. We did not identify any matters that we need to bring to your attention.</p>

We also identified the following other audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those risks.

Other Risks	Audit procedures performed	Assurance gained and issues arising
<p><b>Pension Liability – IAS19</b></p> <p>The Council operates a defined benefits pension scheme. Accounting for this scheme involves significant estimation and judgement. The Pension liability is the largest value liability on the balance sheet. Due to the nature, volume and size of the transactions we consider this to be a risk.</p>	<ul style="list-style-type: none"> <li>• Liaised with the auditors of the Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Borough Council of King's Lynn and West Norfolk;</li> <li>• Assessed the conclusions drawn on the work of the actuary by the Consulting Actuary commissioned by Public Sector Auditor Appointments, PwC; and</li> <li>• Reviewed and tested the accounting entries and disclosures made in relation to IAS19.</li> </ul>	<p>We have gained sufficient assurance over the pension valuations and disclosures.</p> <p>We have no matters to report.</p>
<p><b>Non-Domestic Rates Provision</b></p> <p>Councils need to provide for Business Rate appeals and will need to consider the following when estimating the provision under IAS 37.</p> <p>We found that the council had developed an appropriate methodology in previous years but this methodology needs to be reassessed to ensure that the assumptions made remain appropriate to prepare a reliable estimate.</p>	<ul style="list-style-type: none"> <li>• Reviewed the detailed accounting for business rates to ensure the Council's accounts are materially accurate and compliant with the CIPFA Code of practice; and</li> <li>• Reviewed and tested the Council's provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37.</li> <li>• As part of this we will ensure the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed in the accounts.</li> </ul>	<p>We have reviewed and tested the Council's provision for business rate appeals.</p> <p>The Council have not reflected a higher success percentage for GP surgery appeals as they had in previous years, where the appeal is still outstanding as at 31 March 2016</p> <p>We requested that management quantify the impact of this on the provision. If correctly reflected within the estimate, the provision for the collection fund should increase by £1.196 million . The Council's share of this at the 40% ratio is £0.478 million.</p> <p>Management have chosen not to amend the financial statements for this and it has been recorded in Appendix A.</p>
<p><b>BCKLWN Group Boundary</b></p> <p>During recent years the Council has entered into a number of arrangements with other entities regarding service delivery, most significantly:</p> <ul style="list-style-type: none"> <li>• Nar Ouse Regeneration Agreement (NORA);and</li> <li>• Alive Leisure Trust (ALT);</li> </ul> <p>It is therefore important that the Council continues to revisit on an annual basis its assessment of the group boundary.</p>	<ul style="list-style-type: none"> <li>• Assessing where overall control lies with regard to the operation and delivery of services of the potential group entities.</li> <li>• Reviewing the group boundary assessment prepared by the Council</li> <li>• Ensuring that appropriate consolidation procedures are applied when consolidating relevant entities into the BCKLWN group accounts.</li> </ul>	<p>We have gained sufficient assurance over the group boundary and assessment prepared by the Council.</p> <p>We have reviewed the consolidation procedures and identified differences between the subsidiary, Alive Management Limited final accounts and the figures used in the preparation of the group accounts.</p> <p>The group accounts have been adjusted to reflect the final position of the subsidiary.</p>

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices; estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest.

We wish to report the following matter:

### Bank reconciliation

Last year we reported to you that our audit work in relation to bank reconciliations had identified an overstatement of cash of £1.041 million with corresponding understatement of debtors. We are aware that the Council has taken action during the year to improve the bank reconciliation process to ensure errors that occurred in the previous year do not reoccur.

However, the first two bank reconciliations provided to us as part of the audit were of a very complex nature and further work needed to be undertaken by the Council to provide us with a fully auditable bank reconciliation.

**Recommendation** - The Council need to continue to improve this process going forward and provide a full audit trail to support the reconciliation.

## Control themes and observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

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

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

## Request for written representations

We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We have not requested any specific representations in addition to the standard representations. Our request for a management representation letter is set out in Appendix E.

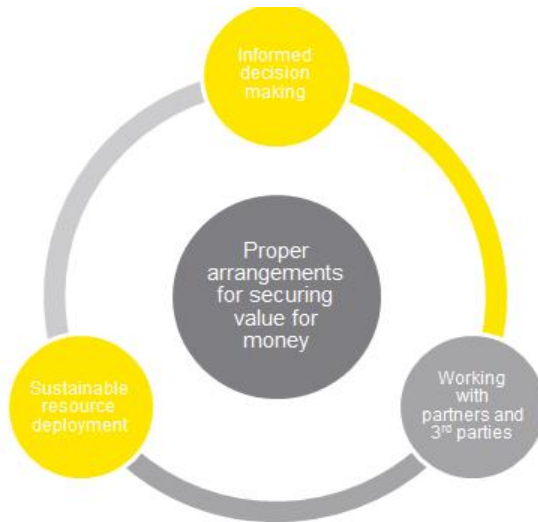
## **Whole of Government Accounts**

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

The Authority falls below the £350 million threshold for a full review, so we have undertaken the limited procedures that are required. We have concluded our work in this area and have no matters to report to the Audit Committee.



## 4. Value for money



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

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

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

### Overall conclusion

We did not identify any significant risks in relation to these criteria.

We have performed our planned procedures and we did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

## Appendix A – Uncorrected audit differences

The following differences, which are greater than £0.09 million, have been identified during the course of our audit and have not been considered material by management or by us for adjustments.

We are bringing them to the Committee's attention to enable you to form your own view on these items.

### Balance sheet and Statement of comprehensive income and expenditure.

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
1. BS - Investment Property	497	
BS - Short term lease liability	(5)	
BS - Long term lease liability	(426)	
BS - Long term lease liability reserve	(61)	
CIES - Income from investment property		(5)
<p>This is the ongoing impact of the 2012/13 uncorrected misstatement relating to a 99 year lease which had been incorrectly treated as a full disposal in 2012/13.</p> <p>The correct treatment under IFRS in 2012/13 would have been to retain the asset within long term assets and create a creditor for the sale proceeds, releasing them evenly over the 99 year lease.</p>		
2. Business Rate Provision	478	478
<p>The Business Rate Appeals Provision is understated by £1.196 million due the Authority's calculation not considering a higher success rate for GP surgeries. The additional £1.196 million should be charged against the collection fund. The Authority's share is 40% which is £0.478 million.</p> <p>Charge would be reversed out to the collection fund adjustment account so no impact on the general fund.</p>		
Cumulative effect of unadjusted differences	473	473

## Appendix B – Corrected audit differences

The following corrected differences, which are greater than £0.09 million, have been identified during the course of our audit and warrant communicating to you.

These items have been corrected by management within the revised financial statements.

### Balance sheet and Statement of comprehensive income and expenditure

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
BS - Short term Receivables	(841)	
BS - Short term Payables	841	
To correct Section 31 accrual which had been overstated in both receivables and payables in the balance sheet		
Cumulative effect of adjusted differences	0	0

## Disclosures

Disclosure	Description of difference
Accounts and Audit Regulations	Amended to reflect the correct regulations (2015).
Annual Governance Statement	Amended to be consistent with events that have occurred in 2015/16 and to include limited and no assurance internal audit reports given in year by internal audit.
Note 2 – Accounting Standards Issued, Not adopted	Amended note as draft accounts have not been updated for the 2015/16 accounting standards issued, but not yet adopted.
Note 5 – Movement in Reserves Statement	Capital grants and contributions line and Capital expenditure line amended to be consistent with Note 11 – Capital Adjustment Account and Note 30 – Capital Financing Requirement. Total movement £0.7 million.
Note 24 – Related Party Disclosures	Members / Head of Services disclosures amended so that the number of Members and value disclosed is consistent with supporting working paper and to include the Alive Leisure Trust financial values.
Note 29 – Property, Plant and Equipment	<p>“Other land and buildings” and “Assets under construction” reclassification of assets to be corrected to be consistent with the fixed asset register. Reclassified £0.26 million.</p> <p>Draft disclosure of land awaiting development is not a CiPFA Code of Practice classification and has been amended to be disclosed in “Other land and buildings”.</p>
Note 26 – Investment Property and Note 29 – Property, Plant and Equipment	Disclosures updated to include fair value disclosures required by the introduction of IFRS 13 and by the Code of Practice. The Accounting Policy has been updated to ensure consistency with these notes.
Group Accounts	<p>With the consolidated Group Accounts, “Cultural and Related Services” Income and Expenditure were both overstated by £2.3 million.</p> <p>There were also amendments to the Debtor and Creditor balances.</p>
Other Disclosures Notes 10, 23, 32, 36, 38, Collection Fund Notes	Amended for typographical errors and to ensure consistency with other notes or primary statements.

## Appendix C – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 10 February 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 5 September 2016.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 10 February 2016.

## Appendix D – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.



Description	Proposed final Fee 2015/16 £'s	Scale Fee 2015/16 £'s	Variation comments
Total Audit Fee – Code work (Note 1)	To be confirmed	51,291	None
Certification of claims and returns (Note 2)	To be confirmed	19,602	None

Note 1 - Audit Fee – Code work. We need to review our costs once we have completed the outstanding procedures before reporting formally agreeing the final fee with you within our Annual Audit Letter. In line with 2014/15 we have had a change to our audit scope upon which the scale fee was derived because of the inclusion of group account reporting and the associated additional required audit procedures.

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

We confirm we have not undertaken any non-audit work outside of the Public Sector Audit Appointment's requirements.

## Appendix E – Request for a management representation letter

 <p><b>EY</b> Building a better working world</p>	<p>Ernst &amp; Young LLP One Cambridge Business Park Cambridge CB4 0WZ</p>	<p>Tel: + 44 1223 394400 Fax: + 44 1223 394401 ey.com</p>	 <p>INVESTOR IN PEOPLE</p>
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<p>Lorraine Gore Assistant Director Borough Council of King's Lynn and West Norfolk King's Court, Chapel Street, King's Lynn, Norfolk, PE30 1EX</p>	<p>18 August 2016</p> <p>Ref: Your ref:</p> <p>Direct line: 01223 394547</p> <p>Email: MHodgson@uk.ey.com</p>
---	---

Dear Lorraine,

**Borough Council of King's Lynn and West Norfolk – 2015/16 financial year  
Request for a letter of representation**

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Civic Affairs, as those charged with governance of the Council.

I would expect the letter of representation to include the following matters.

**General statement**

That the letter of representations is provided in connection with our audit of the financial statements of Borough Council of King's Lynn and West Norfolk ("the Council") for the year ended 31 March 2016. That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Borough Council of King's Lynn and West Norfolk as of 31 March 2016 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC30001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.



You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent we considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

#### A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).
2. That you acknowledge your responsibility for the fair presentation of the financial statements. You believe the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA Code and are free of material misstatements, including omissions. You have approved the financial statements.
3. You confirm that the Responsible Officer has:
  - Reviewed the accounts
  - Reviewed all relevant written assurances relating to the accounts, and
  - Made other enquiries as appropriate.
4. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
5. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error
6. You believe that the effects of any unadjusted audit differences, summarised in Appendix 1, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. Please specify the reasons for not correcting these misstatements.

#### B. Fraud

1. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud





2. You have disclosed to us the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. That you have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council internal controls over financial reporting. In addition, you have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. You have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. You have disclosed to us all known actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. You have provided us with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
  - Additional information that we have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. That you have made available to us all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 05 September 2016.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.



6. That you have disclosed to us, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that you have given to third parties.

#### F. Subsequent Events

1. That other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
  - That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
  - That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
  - That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
  - That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

#### H. Segmental reporting

1. That you have reviewed the operating segments reported internally to the Council and that you are satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8: Operating Segments, they are similar in each of the following respects:



- The nature of the products and services
- The nature of the production processes
- The type or class of customer for their products and services
- The methods used to distribute their products

**I. Going Concern**

1. That you have made us aware of any issues that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

**J. Retirement Benefits**

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with your knowledge of the business. That all significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

**K. Use of management experts**

1. That you agree with the findings of the experts engaged to evaluate the values of the Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

**L. Specific Representations**

We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit Committee) on the proposed audit opinion date (05 September 2016) on formal headed paper.

Yours sincerely

Mark Hodgson  
Executive Director  
Ernst & Young LLP  
United Kingdom



### Appendix 1 – Uncorrected Audit Misstatement

Item of account	Balance sheet (Decrease) / Increase £000	Comprehensive income and expenditure statement (Decrease) / Increase £000
1. BS - Investment Property	497	
BS - Short term lease liability	(5)	
BS - Long term lease liability	(426)	
BS - Long term lease liability reserve	(61)	
CIES - Income from investment property		(5)
<p>This is the ongoing impact of the 2012/13 uncorrected misstatement relating to a 99 year lease which had been incorrectly treated as a full disposal in 2012/13.</p> <p>The correct treatment under IFRS in 2012/13 would have been to retain the asset within long term assets and create a creditor for the sale proceeds, releasing them evenly over the 99 year lease.</p>		
2. Provisions	478	478
<p>The Business Rate Appeals Provision is understated by £1.196 million due the Authority's calculation not considering a higher success rate for GP surgeries. The additional £1.196 million should be charged against the collection fund. The Authority's share is 40% which is £0.478 million.</p> <p style="text-align: right;">Charge would be reversed out to the collection fund adjustment account so no impact on the general fund</p>		
Cumulative effect of unadjusted differences	473	473

## Appendix F – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of UK clients. These are detailed here:

Required communication	Reference
<p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Borough Council of King's Lynn and West Norfolk ability to continue as a going concern for the 12 months from the date of our report.
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	Audit Results Report
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
<p><b>Related parties</b></p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report



Required communication	Reference
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	We have received all requested confirmations.
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	We have not identified any material instances of non-compliance with laws and regulations.
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	Audit Plan and Audit Results Report
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	Audit Results Report
<p><b>Group audits</b></p> <ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> </ul>	Audit Plan and Audit Results Report
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	Audit Plan Audit Results Report Annual Audit Letter if considered necessary
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	Certification Report

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## POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	<b>AUDIT COMMITTEE</b>		
DATE:	5 September 2016		
TITLE:	<b>STATEMENT OF ACCOUNTS 2015/2016 AND REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260)</b>		
TYPE OF REPORT:	Recommendation		
PORTFOLIO(S):	Performance - Cllr Nicholas Daubney		
REPORT AUTHOR:	Toby Cowper		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

### **REPORT SUMMARY**

<b>PURPOSE OF REPORT/SUMMARY:</b>
<p>The report introduces the Statement of Accounts (SOA) 2015/2016</p> <p>Essentially the Statement is the final accounts set out in a format which includes the Council's balance sheet and associated notes. The report also considers the report from the auditor on the audit for the accounts 2015/2016 – the International Auditing Standard (ISA 260).</p>
<b>RECOMMENDATIONS:</b>
<p>It is recommended that Audit Committee;</p> <ul style="list-style-type: none"> <li>i. Considers the comments of the auditor in the ISA260</li> <li>ii. Approve the Statement of Accounts for 2015/2016</li> <li>iii. The Chairmen to signs the Statement of Accounts and the Letter of Representation on behalf of the Borough Council of King's Lynn and West Norfolk</li> </ul>
<b>REASONS FOR RECOMMENDATIONS:</b>
<p>The Council must approve the Statement of Accounts for 2015/2016 before 30 September 2016 and consider the comments from the auditor on the ISA 260.</p>



## **REPORT DETAIL**

### **1. Introduction**

- 1.1 The report introduces the Statement of Accounts for 2015/2016 – a statutory document that must be approved by the Council before 30 September 2016. The Statement has been subject to external audit by Ernst & Young (the Council's auditors for 2015/2016).
- 1.2 Cabinet has already received a report on the outturn of the budget for 2015/2016 at its meeting 28 June 2016. This report presents to members the formal set of accounts that are required for audit purposes. The format of the Statement of Accounts is subject to prescription under the International Financial Reporting Standards (IFRS) which is in accordance with the relevant Audit and Account Regulations.
- 1.3 The report from the auditor on the audit for the accounts 2015/2016 – the International Auditing Standard (ISA 260) – provides members with an overview of the findings of the audit.

### **2 Statement of Accounts 2015/2016**

- 2.1 The Council must formally approve the SOA for 2015/2016 by 30 September 2016. Ernst & Young, the external auditor has audited the document and has expressed an opinion that the accounts present fairly the position of the Council as at 31 March 2016 and its income and expenditure for the year then ended.
- 2.2 As the Council's designated S151 Officer, the Assistant Director is responsible for the SOA and certifies her acceptance of the accounts.
- 2.3 Associated with the final accounts the Council is required to sign off an Annual Governance Statement (AGS) which is separately listed on the agenda.
- 2.4 The Balance Sheet from page 13 of the Statement of Accounts 2015/2016 document is copied below. The Balance Sheet is a 'snapshot' of the Council's financial position at the 31 March 2016.

31 March 2015		31 March 2016	
£'000		£'000	
113,113	Property, Plant and Equipment	129,090	
17,954	Heritage Assets	17,954	
24,076	Investment Property	24,225	
706	Intangible Assets	608	
6,044	Long Term Investments	7,530	
2,538	Long Term Receivables	4,297	
<b>164,431</b>	<b>Long Term Assets</b>	<b>183,704</b>	
14,343	Short Term Investments	18,229	
88	Inventories	84	
9,113	Short Term Receivables	11,323	
6,810	Cash and Cash Equivalents	1,484	
654	Assets Held for Sale	1,091	
<b>31,008</b>	<b>Current Assets</b>	<b>32,211</b>	
(3,753)	Provisions	(2,833)	
(140)	Short Term Borrowing	(4,187)	
(13,525)	Short Term Payables	(12,932)	
<b>(17,418)</b>	<b>Current Liabilities</b>	<b>(19,952)</b>	
(1,144)	Grants Receipts in Advance	(395)	
(13,400)	Long Term Borrowing	(13,200)	
(244)	Other Long Term Liabilities	(202)	
(54,673)	Pension Liabilities	(41,479)	
<b>(69,461)</b>	<b>Long Term Liabilities</b>	<b>(55,276)</b>	
<b>108,560</b>	<b>Net Assets</b>	<b>140,687</b>	
(26,127)	Usable Reserves	(27,280)	
(82,433)	Unusable Reserves	(113,407)	
<b>(108,560)</b>	<b>Total Reserves</b>	<b>(140,687)</b>	

### 3. Issues for the Panel to Consider

Considers the comments of the auditor in the ISA260

Approve the Statement of Accounts for 2015/2016

The Chairmen to signs the Statement of Accounts and the Letter of Representation on behalf of the Borough Council of King's Lynn and West Norfolk

### 5. Financial Implications

There are no financial implications that follow the presentation of the Statement of Accounts.

### 6. Any other Implications/Risks

None

### 7. Equal Opportunity Considerations

None

### 8. Consultation

Leader of Council

### 10. Background Papers

Council agenda/minutes, Financial Plan 2015/2020, Monitoring Reports 2015/2016

**REPORT TO CABINET**

<b>Open</b>		Would any decisions proposed :		
<b>Any especially affected Wards</b>	Mandatory	Be entirely within Cabinet's powers to decide	NO	
		Need to be recommendations to Council	YES	
		Is it a Key Decision	NO	
Lead Member: Cllr Brian Long E-mail: cllr.brian.long@west-norfolk.gov.uk		Other Cabinet Members consulted:		
		Other Members consulted:		
Lead Officer: Ray Harding E-mail: ray.harding@west-norfolk.gov.uk Direct Dial: 01553 616245		Other Officers consulted: Management Team, Monitoring Officer, Audit Manager, S151 Officer, Democratic Services Manager, ICT Manager, Extended Management Team		
Financial Implications NO	Policy/Personnel Implications NO	Statutory Implications YES	Equalities Impact Assessment NO	Risk Management Implications YES
If not for publication, the paragraph(s) of Schedule 12A of the 1972 Local Government Act considered to justify that is (are) paragraph(s)				

Date of meeting: 7 September 2016

**Annual Governance Statement for the year 2015/16**

**Summary**

The preparation and publication of an Annual Governance Statement (AGS) is a statutory requirement. The AGS is a public statement that describes and evaluates the Council's overall governance arrangements during a particular financial year.

This report seeks approval of the Council's 2016 Annual Governance Statement covering the 2015/16 year – attached at Appendix A – and also proposes that the Audit Committee take over this function in the future.

**Recommendation**

It is recommended that

1. The 2016 Annual Governance Statement for the 2015/16 year as attached be approved for adoption and that the Leader of the Council and the Chief Executive sign accordingly.
2. The Terms of Reference of the Audit Committee are amended to allow the Audit Committee to approve the final Annual Governance Statement on behalf of the authority in future years and to authorise the Leader of the Council and the Chief Executive to sign accordingly.

**Reason for Decision**

To comply with the statutory requirements in the Accounts and Audit Regulations 2015 and provide for the Audit Committee to be the approving body in future years.

## **1.0 Background**

- 1.1 The Council's Local Code of Corporate Governance sets out six core principles of good governance that focus on the systems and processes for the direction and control of the Council and its activities through which it accounts to, engages with and leads the community. These core principles include:
- Focusing on the purpose of the Council
  - Roles and responsibilities of members and officers
  - Standards of conduct and behaviour
  - Decision making, scrutiny and risk management
  - Developing capacity and capability of members and officers
  - Engaging with local people and stakeholders
- 1.2 The extent to which the Council adheres to these principles is described in the Annual Governance Statement.
- 1.3 The preparation and publication of an Annual Governance Statement (AGS) is a statutory requirement. The AGS is a public statement that describes and evaluates the Council's overall governance arrangements during a particular financial year. It includes a self-assessment of the effectiveness of the governance arrangements, across all areas of activity, together with a statement of the actions being taken or required to address any areas of concern.
- 1.4 The Statement is signed by the Leader and Chief Executive of the Council, once agreed by Full Council, and published alongside the Statement of Accounts.

## **2.0 Proposed Annual Governance Statement**

- 2.1 The Statement has been produced in accordance with relevant professional guidance and good practice and a comprehensive review has taken place to ensure that the suggested areas are all included in the Council's AGS for 2015/16.
- 2.2 The production of the statement, and the consultation process, has involved input from Executive Directors, and all Service Managers have been given the opportunity to provide comments. In particular, comment has been sought from the Monitoring Officer, the Audit Manager, the S151 Officer, the Democratic Services Manager and the ICT Manager. The external auditors, Ernst & Young have also provided comment. All input obtained is reflected in the attached version.
- 2.3 The Statement is required to include notification of any significant internal control issues identified and include an action plan to address them. No significant governance issues have been identified through the work undertaken; an Action Plan has been drawn up based on the work undertaken and this is being worked on during the current 2016/17 year, this is on the final page of the statement.

2.4 The Statement also comments on actions progressed from the previous year.

### **3.0 Audit Committee review**

3.1 The Audit Committee have reviewed the Statement and were recommended 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 Policy Implications**

None

### **5.0 Financial Implications**

None

### **6.0 Personnel Implications**

None

### **7.0 Statutory Considerations**

7.1 The adoption of the Annual Governance Statement is required to comply with the Accounts and Audit Regulations.

### **8.0 Equality Impact Assessment (EIA)**

None

### **9.0 Risk Management Implications**

9.1 The Annual Governance Statement forms part of the Council's risk management process and provides reasonable assurance (as defined in section 8 of the AGS itself) that the Council is complying with the adopted Code of Corporate Governance.

9.2 Failure to maintain an effective approach to producing the AGS 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.

## **10.0 Recommendations**

- 10.1 From the review undertaken, the assessment and ongoing monitoring work completed 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.
- 10.2 It is recommended that the Annual Governance Statement for 2015/16 as attached be approved for adoption and that the Leader of the Council and the Chief Executive sign accordingly.
- 10.3 It is also recommended that the Terms of Reference of the Audit Committee be amended to allow the Audit Committee to approve the final Annual Governance Statement on behalf of the authority in future years and to authorise the Leader of the Council and the Chief Executive to sign accordingly.

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

None

## **Background Papers**

CIPFA/SOLACE Framework including Guidance Notes and Addendum  
2015 Annual Governance Statement  
Cabinet / Panel agendas  
Various policies, strategies, procedures

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



# Annual Governance Statement

2016

Covers the 2015/16 year

## **1. Scope of responsibility**

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

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 line with the principles outlined in the framework and guidance notes for CIPFA/SOLACE *Delivering Good Governance in Local Government (2012) (as amended)*. A copy of the code is on our website at [www.west-norfolk.gov.uk](http://www.west-norfolk.gov.uk). The code was reviewed during 2014/15 and the update was approved by Council in March 2015.

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

## **2. The purpose of the governance framework**

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

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

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

The governance framework has been in place at the Borough Council of King's Lynn and West Norfolk for the year ended 31 March 2016 and remains in place to date.

## **3. The governance framework**

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



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

The Council publishes a Corporate Business Plan which sets out the broad framework for the Council's aims for the period covered by the plan. Following the local elections in May 2015, a new Corporate Business Plan was developed, and was agreed by Council in January 2016.

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

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

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

### **3.2 Review our aims and the implications on our governance arrangements**

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 three times during 2015/16. The update collated at the end of quarter 2 was considered by the Resources and Performance Panel, and the update collated at the end of the 2015/16 year was considered by the Corporate Performance Panel<sup>1</sup> at their meeting on 8 June 2016.

The process of collating and reviewing the monitoring report necessitates the council's senior management team to consider and review the aims and actions set out. Senior management team are instrumental in the achievement of our aims and through the regular meetings they hold, they ensure that governance arrangements are consistent with, and support us in this.

The Council has a Code of Corporate Governance in place, which sets out how the Council intends to apply the principles of corporate governance in accordance with CIPFA/SOLACE guidance. The Code includes a chart to demonstrate the various elements 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.

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

The Council has a Performance Management Framework which is, in effect, a summary of the key internal processes and components through which the Council sets, delivers, monitors and reports on its priorities and services. As such the Performance Management Framework encompasses elements of strategy, finance, performance, people and risk management, and reporting and accountability. The Framework describes how the Council measures and monitors the performance of our services and is available on the Council's website.

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<sup>1</sup> The Resources & Performance Panel changed to the Corporate Performance Panel wef April 2016

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

The Council's Constitution sets out how the Council operates, how decisions are made and the procedures to be followed to ensure that these are efficient, transparent and accountable to local people. This defines, amongst other things the roles of the Council, Cabinet, how the scrutiny and overview function operates, the Scheme of Delegation, and the roles and responsibilities of officers and members. The different elements of the Constitution are subject to periodic change either through national legislation or local decision.

In the 2015/16 year, the Council's Scheme of Delegation and the Portfolio Areas were updated.

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

During 2014/15, the Centre for Public Scrutiny (CfPS) were invited to conduct a review of the scrutiny process within the authority. In the 2015/16 year, the CfPS were again invited in to work with members and make proposals for changes. During this year a member task group – the Scrutiny Structures and Policy Development Task Group – reviewed the proposals and worked to draw conclusions in order to formulate recommendations to Cabinet and Council. The recommendations were actually made in the 2016/17 year; see section 6: 'Known Changes'.

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

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

- Members Code of Conduct
- Register of Disclosable Pecuniary Interests
- Members Code of Good Practice for Planning
- Protocol for Member/Officer Relations
- Employee Handbook (includes employee code of conduct)
- Anti-Fraud and Anti-Corruption Strategy
- Whistleblowing Policy
- Fraud Response Plan
- Disciplinary / Grievance procedures
- ICT Asset Management Policy
- ICT Computer Usage Policy
- ICT Corporate Email Policy
- ICT Corporate Internet Policy
- ICT Security Policy

The five ICT related policies were reviewed and refreshed in 2015 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.

During 2015/16 the Council has also embedded the requirements of the Baseline Personnel Security Standard into recruitment and appointment processes, to ensure that employees who access the Public Services Network (PSN) meet a minimum baseline standard of

security checks. The Performance Management Framework describes how staff performance, including conduct, is managed and is due to be refreshed in the 2016/17 year. The Council also has a Harassment Procedure in place for staff, which demonstrates the belief that all employees have a right to be treated with dignity and respect, and that the Council will take steps to ensure this right is protected. All policies are available to all staff and Councillors via the Council's Intranet.

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

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

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

The Council has a Data Quality Policy and Strategy in place and available on its website. The document shows that the Council understands the importance of data quality and is committed to being consistent in its management of data quality within the organisation and in partnership with others, ensuring that the data produced adheres to the 7 principles of data quality. This document is due to be refreshed in the 2016/17 year.

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

During 2015/16, the key documents that underpin the Council's Risk Management arrangements were reviewed and refreshed. As a result of the review, the Risk Management Policy was separated from the Strategy. The authority's risk appetite is formally recognised within the Policy, and the Strategy provides a means of escalating risks from service and project level to the Corporate Risk register if necessary. This change ensured that risk management is more closely linked to the achievement of the Council's objectives.

The Corporate Risk Register is reviewed regularly by the Council's Executive Directors and the Audit and Risk Committee receive reports on a half-yearly basis on the position of the register.

The Council has in place an Anti-Fraud and Anti-Corruption Strategy, which details the approach to its arrangements. The Strategy covers the roles of elected Members, employees and Managers (including contractors and agents), the Internal Audit and Fraud team and External Audit and is next due for review in the 2016/17 year.

Benefits fraud investigation transferred to the Department for Work and Pensions (DWP) in April 2015. There is a referral system in place with the DWP for suspected fraud in respect of housing benefit and council tax benefit. The Council retained officer support within the internal audit team to provide assurance for local council tax support.

### **3.8 *Ensure effective management of change and transformation***

The Council has a good track record of delivering change and over the last eight years, the Council has identified and delivered significant efficiencies, including revenue budget savings of £7.6 million. Despite this, the continuing budget deficit highlighted in the Financial Plan 2015-2020 shows a shortfall in 2019/20 of £2.5million. To meet this challenge, significant changes are required to transform how the Council provides frontline services and works to achieve the priorities set out in the Corporate Business Plan. A robust process of identifying proposals to make revenue savings / generate additional revenue has been underway since Autumn 2015; and the agreed proposals will form the basis of an Efficiency Plan, which, subject to Council agreement, will be submitted to the Government to fix a four-year financing settlement. Work will be undertaken to produce the changes required to deliver the savings identified, before 2019/20. The work being completed, and therefore the savings being generated, will be monitored closely in order to achieve the savings target.

One of the corporate priorities is to deliver our 'channel-shift' programme. The key document for delivery is the 'Switched On' Transformation Plan which was launched internally in the 2015/16 year. The plan incorporates many of the project areas already in progress across the organisation (for example, ICT Optimisation and Lean) and sets out how the authority is approaching service transformation, and introducing improved digital services across the organisation. The plan is underpinned by communications and training plans to support employees through a period of organisation and cultural change, equipping them with the skills they will need to implement the new ways of working.

As one example of channel shift, in April 2015, the Council moved to online benefits claims. The change has been successful with over 80% of people now making a new claim for Housing Benefit and Council Tax Support online. The information goes directly into the Benefits system which avoids staff rekeying the data. During the 2016/17 year, the council will be launching online services for

- Housing Benefit and Council Tax Support Change in Circumstances
- most council tax services and
- an online account which will enable customers to view, submit and track service requests from their pc, laptop, tablet or smartphone. It will also personalise services and provide 'push' notifications of information relevant to them or which they sign up to receive.

The Council's Performance Management Framework outlines how the corporate priorities, one of which is channel shift and the associated changes, translate into targets for staff.

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

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

The Council's arrangements now fully comply with the principles described, following the retirement of the Deputy Chief Executive in April 2015, which resulted in revisions to the organisational structure. The Chief Financial Officer was appointed as an Assistant Director in May 2015, reports directly to the Chief Executive, and is a member of the senior management team (called the Leadership Team in the CIPFA statement).

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

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

The arrangements in place for 2015/16 conform to the requirements outlined in the above statement.

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

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

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

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

Good corporate governance requires independent, effective assurance about the adequacy of financial and operational management and reporting, and this assurance is best provided by a committee that is independent from the executive and scrutiny functions, in this Council, during 2015/16 this was the Audit and Risk Committee.

The Audit and Risk Committee was set up in 2006 with Terms of Reference drawn up in line with guidance from CIPFA. These were reviewed in 2013 and the next review will take place in 2016/17.

A review is undertaken each year of the effectiveness of the Audit and Risk Committee. For the year covered by this statement, the review was presented to the Audit Committee<sup>2</sup> on 5

September 2016. The review concluded that the Committee is continuing to perform effectively and the Council is meeting its requirements under the Accounts and Audit Regulations 2015.

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

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

Other arrangements are in place to ensure compliance with relevant policies and to ensure that expenditure is legal. One example is the ICT Development Group; a small group which consists of the Portfolio Holder and Executive Director for ICT, 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. As a result of this review, it has been identified that a Terms of Reference is needed to ensure the group's remit is clear. This will be adopted during the 2016/17 year.

During 2015/16 the Council's Contract Standing orders were updated; plans were in place for the Financial Regulations to be updated, however, this was not achieved. These will be updated during 2016/17.

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. The Chief Executive or another representative from Management Team meet weekly with the Leader and during 2015/16 monthly meetings were put in place where the Chief Executive meets with the Leader and Deputy Leader. These arrangements ensure senior members are quickly aware of relevant matters.

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

The Council has a Whistleblowing Policy in place, produced in accordance with the provisions of the Public Interest Disclosure Act 1998. The Council has a Corporate Complaints procedure, available on the Council website or on paper on request. Both are reviewed regularly to ensure they remain up-to-date. 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 Resources and Performance Panel on an annual basis.

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<sup>2</sup> Renamed as part of the Scrutiny review effective April 2016



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

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

Member's development needs are identified through use of a questionnaire following their election, and are also identified during the year as matters arise at meetings and questions of training needs arise. Following the Borough elections in May 2015 a full induction programme was run for members and training was run in appropriate areas for appropriate councillors. This included ICT training to assist with the roll out of iPads for Members to facilitate paperless agendas for the majority of meetings. Feedback forms were requested from attendees after each training session, these were then used to develop training in areas where further needs have been identified.

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.

In addition, briefings are offered to members prior to virtually every Full Council meeting on a wide range of topics; topics covered in the past year have included devolution, the situation of the local hospital (a key local service centre), local educational attainment, and the Town Hall development work.

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

The Council welcomes views from the public and community as part of the constitutional process. These views are considered through formal and informal consultation processes. Examples of consultations undertaken with the public in 2015/16 are: Hunstanton Heritage Gardens; local Council Tax Support Scheme; Licencing Act 2003 Policy; Waste and Recycling Survey; Major Housing development at the Lynnsport site. Members of the public are also able to ask questions on a topic or service within the Council's control at Full Council meetings.

A King's Lynn Area Consultative Committee is in place, the Committee's Terms of Reference state that the Committee is to act as a consultative forum and to encourage community engagement within King's Lynn itself. The Committee was initially scheduled to operate until 1 May 2015. Council agreed on 23 April 2015 that the Committee would continue to operate for a further four years.

The Council uses social media corporately to communicate and engage with the community, particularly Twitter which is used to great effect for times such as the Borough Council elections. Social media is also used for specific events, such as the Hanse Festival, and the Town Hall has its own Twitter and Facebook accounts to help engage with potential customers and promote the venue. Results of all methods of communication are fed back



into service delivery, ensuring accountability. The Council also monitors feedback from residents and service users through compliments and complaints received.

During 2015/16 the Council has complied with the requirements of the Local Government Transparency Code 2014. The Code, which is issued under the Local Government, Planning and Land Act 1980 and two statutory instruments passed during 2014/15 make it a legal requirement for local authorities to publish specified data by prescribed deadlines and thereafter annually. The Council publishes all specified data on its website, in the prescribed format, by the required deadline. This makes a direct line to the requirement to establish clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation.

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

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

Other partnerships are of a contractual nature, such as delivery of Home Improvement Agency services for Fenland District Council, and car parking arrangements with North Norfolk District Council. These partnerships are also subject to formal governance arrangements but are not delivering our own statutory obligations.

The Council also continues to participate in an informal, collaborative partnership with local partners via the West Norfolk Strategy Group, which enables partners to identify and work together on common priorities and key issues facing West Norfolk. A review of the format and focus of the Strategy Group will be undertaken during 2016/17 to ensure it continues to deliver benefits for the area.

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

### ***3.18 Appendix A***

The table at Appendix A demonstrates how the core and supporting principles of corporate governance, as detailed in the Council's adopted Code of Corporate Governance have been upheld during the year 2015-2016.

#### **4. Review of effectiveness**

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

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

- The Audit and Risk Committee carries out an overview of the activities of the Council's internal and external audit functions. Members of the Audit & Risk 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 and risk management. The Committee approves the annual plans for each, 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 2015/16 which went before the Audit Committee on 11 July 2016. The report states that in the Audit Manager's opinion, adequate assurance can be gained in respect of the overall systems of internal control operating within the Council. Additionally, risk management systems and corporate governance arrangements are satisfactory.
- The Internal Audit service is a directly employed in-house service, providing a continuous review in accordance with the Council's obligations under the Local Government Act 1972, and the Accounts and Audit Regulations 2015. The service operates under the Public Sector Internal Audit Standards (PSIAS). A self-assessment checklist to ensure that the team continue to comply was undertaken on the 2015/16 year and the overall result was positive. The review was presented to the Audit Committee on 11 July 2016.
- The Audit Manager has also completed a review of the effectiveness of the Audit & Risk Committee itself. The result was reported to the Audit Committee on 5 September 2016 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 2015/16, Internal Audit has issued one report with a 'No Assurance' rating and one report with a 'Limited Assurance' rating. In both cases the assurance levels reflected operational concerns and are not regarded as having corporate governance issues. Considerable progress has been made in both areas since the audits were carried out.
- The Council's external auditors review the activities of the Council, approve the annual accounts and certify grant claims (where required). Conclusions and significant issues arising are detailed in various reports from the auditors. Their 'Audit Results Report – ISA (UK and Ireland) 260' went before Audit and Risk Committee on 7 September 2015 and Cabinet on 9 September 2015; the Annual Audit Letter went before the Audit & Risk Committee on 24 November 2015. These reports from the external auditors refer to the 2014/15 financial year (the latest available) and raised no concerns of a material nature.
- A Member / Officer protocol is in place and forms part of the Council's constitution.

- Additionally, it is the responsibility of the statutory officers to report to Council on any issues concerning the review of the effectiveness of internal control arrangements. There have been no issues arising during 2015/16 which have required the full Council to exercise its role.

In summary, a review of arrangements for the 2015/16 year has been undertaken; the review has not highlighted any issues as significant weaknesses in governance or internal control during the year. The arrangements outlined above are in place and operating as planned.

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

- 5.1 The Council's leisure and arts facilities have been operated and managed through an independent Trust and wholly owned Local Authority Company since 1 September 2014. An overview of the arrangements in place follows:
- 5.1.1 The Borough Council leases sports and arts facilities to Alive Leisure, which is a charitable trust. Alive Leisure is contracted by the Council to undertake
- Operation of facilities
  - Programming
  - Marketing and Advertising
  - Sports Development
  - Events (e.g. Grand East Anglian Run)
  - Bars and catering
- 5.1.2 The Borough Council retains responsibility for maintenance of the facilities and utilities, and pays a Management Fee to Alive Leisure (the trust).
- 5.1.3 Alive Management Ltd is a wholly owned Local Authority Company (LAC) which is subcontracted by Alive Leisure for the
- Operational management and delivery of leisure services on a day to day basis
  - Management of joint employees
  - Establishing and maintaining suitable health and safety systems
  - Establishing, reviewing and maintaining an effective quality assurance system including procedures for all areas of operation
  - Operating bars and catering functions
- 5.1.4 Alive Management Ltd (the LAC) is contracted by the Borough Council to manage
- All maintenance / equipment / capital requirements
  - All utility consumption
- 5.1.5 Alive Leisure, being an independent charitable trust, is a separate entity and no further information on it is therefore covered within this governance statement.
- 5.1.6 Alive Management Ltd (the LAC) has a Board of 5 members, three are Borough Councillors and two are Borough Council Executive Directors. Staffing consists of a Chief Operating Officer and 16 staff. The Company Secretary role is performed by the Council's Chief Financial Officer.
- 5.1.7 Approximately 100 staff are employed jointly by Alive Leisure and Alive Management Ltd – including for example, duty officers, lifeguards, and theatre technicians.

#### 5.1.8 Governance elements within Alive Management Ltd (the LAC)

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

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

## **6. Known changes in the 2016/17 year**

### Scrutiny

6.1 At its meeting on 28 April 2016 Council agreed changes to the scrutiny arrangements of the authority, following recommendations from the member 'Scrutiny Structures and Policy Development Task Group'. The changes were made to seek to make the roles and functions of the Council's policy development and scrutiny panels more effective, thereby enhancing the good governance of the Council.

The task group had been formed after work was undertaken by the Centre of Public Scrutiny in the 2014/15 and 2015/16 years (see also last paragraph in section 3.4). 12 recommendations were made and agreed. Full details are contained within the Cabinet report presented to the meeting on 5 April 2016. As an overview:

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

Relevant updates to the scheme of delegation, and the Constitution have been made in the 2016/17 year.

### Devolution

6.2 On 30 June 2016, Full Council determined to endorse the signing of the Norfolk and Suffolk Devolution Agreement by the Leader of the Council. Full Council also agreed that Council will meet no later than 28 October 2016 to consider giving consent to an Order establishing a Mayoral Combined Authority for Norfolk and Suffolk.

### Internal Audit

6.3 During the 2016/17 year, planning will take place in anticipation of known changes to the management of the Internal Audit team in 2017/18, which will also affect the arrangements for risk management.

## 7. Action Plan

In the Annual Governance Statement for 2014/15 (presented to Cabinet on 9 September 2015) an 8 point Action Plan for 2015/16 was set out to deal with governance issues identified during the review for that year. 5 points on that Action Plan have been completed; the 3 outstanding points will be carried forward onto the 2016/17 action plan.

The Action Plan to be worked on during 2016/17, containing 8 new items identified through the review undertaken on the 2015/16 year (and three items carried forward) is attached at Appendix B.

## 8. Assurance summary

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.

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

We are satisfied that an on-going process for identifying, evaluating and managing key risks exists. We propose over the coming year to take steps to address matters identified to further enhance our governance arrangements. We are satisfied that the steps outlined at Appendix B will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

### **Signed:**

Cllr Brian Long  
Leader of the Council

?? September 2016

Ray Harding  
Chief Executive

?? September 2016

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<sup>3</sup> By the Audit and Risk Committee during 2015/16

**APPENDIX A: EVIDENCE LIST – HOW THE PRINCIPLES OF CORPORATE GOVERNANCE HAVE BEEN ADHERED TO DURING THE 2015/16 YEAR**

<b>Policies, Strategies, Rules &amp; Codes</b>	<b>Processes and Frameworks</b>	<b>Key documents</b>	<b>Functions</b>
<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 and Diversity 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>• Risk Management Strategy</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>• Data observatory</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 Case &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 Chairs</li> </ul>	<ul style="list-style-type: none"> <li>• Agendas &amp; Minutes</li> <li>• Alive Trust/Management Suite</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>• Members Bulletin</li> <li>• Publication Scheme (FOI)</li> <li>• Quarterly Performance Reports</li> <li>• Record of decisions</li> <li>• Registers of interest</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 and Risk 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</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>• Scrutiny &amp; Overview Liaison Committee</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 mtgs</li> </ul>

## APPENDIX B: ACTION PLAN FOR THE 2016/17 YEAR

	Item	Action	Responsible Officer	Target Date
1	<i>Carried forward:</i> Financial Procedures	Review and update the Council's Financial Regulations to reflect changes in legislation and current best practice	Assistant Director, Finance	March 2017
2	<i>Carried forward:</i> Public Services Network (PSN) compliance	Ensure PSN compliance during 2015/16 including progressing any actions identified as a result of the 2015 audit	Executive Director, Central and Community Services	March 2017
3	<i>Carried forward:</i> Payment Card Industry (PCI) compliance	i) Respond to issues identified during the 2015 PCI audit ii) Investigate and implement an upgrade to the current cash receipting system to ensure ongoing compliance	Executive Director, Central and Community Services	March 2017 March 2017
4	ICT Development Group	Adopt a Terms of Reference to make the group's remit clear	Executive Director, Central and Community Services	March 2017
5	Performance Management Framework	Review and refresh the Council's Performance Management Framework.	Executive Director, Central and Community Services	March 2017
6	Data Quality Strategy	Review and refresh the Council's Data Quality Strategy	Executive Director, Central and Community Services	March 2017
7	West Norfolk Strategy Group	Review the format and focus of the WN Strategy Group to ensure it continues to deliver benefits for the area	Executive Director, Central and Community Services	March 2017
8	Anti-fraud and Anti-corruption Strategy	Review and refresh the Council's Anti-fraud and Anti-corruption Strategy	Assistant Director, Finance	March 2017
9	Efficiency Plan	Devise process for robust monitoring of achievement against the Efficiency Plan	Assistant Director, Finance	March 2017
10	Internal Audit	Change to Internal Audit arrangements	Assistant Director, Finance	March 2017
11	Risk Management	Revised arrangements for the provision of risk management	Assistant Director, Finance	March 2017



# **Monitoring Officer Annual Report 2015/16**

## **Section Contents**

1 Introduction

2 The Monitoring Officer's Work April 2015 – March 2016

3 Key Messages

4 Looking Forward

5 Overall opinion on the adequacy and effectiveness of the Governance framework

# Monitoring Officer Annual Report 2015/16

## 1. Introduction

- 1.1 The Monitoring Officer’s Annual Report summarises the more important matters arising from the Monitoring Officer’s work for the Borough Council from 1 April 2015 to 31 March 2016 and comments on other current issues.
- 1.2 Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. It is founded on the fundamental principles of openness, integrity and accountability together with the overarching concept of leadership. In this respect, the Borough Council of Kings Lynn and West Norfolk recognises the need for sound corporate governance arrangements and has put in place policies, systems and procedures designed to achieve this.
- 1.3 The Monitoring Officer is appointed under Section 5 of the Local Government and Housing Act 1989 and has a number of statutory functions in addition to those conferred under the Local Government Act 2000 and subsequent regulations governing local investigations into Member conduct. These are outlined in the next section of the report.

## 2. The Monitoring Officer’s Work April 2015 – March 2016

The appointment of the current Monitoring Officer was confirmed by Council in June 2014 and has carried out the statutory functions since that time.

Duties	Work undertaken
(a) Report on contraventions or likely contraventions of any enactment or rule of law.	None
(b) Report any findings of maladministration causing injustice where the Ombudsman has carried out an investigation.	There have been two incidents, the Council has made a payment of £100 in respect of one of them.
(c) Establish and maintain the Register of Member’s interests and gifts and hospitality.	All Members of both the Borough and Parish Councils completed new returns following the elections in May 2015.  Members have been issued with Guidance.  Members making nil returns have been reminded of their obligations under the Code.

	<p>The Register of Members' Interests is publicised on the Council's website. The Registers are available for inspection at the Council's offices.</p>
<p>(d) Maintain Register of Employees gifts and hospitality.</p>	<p>The Registers have been updated regularly and are open to inspection.</p>
<p>(e) Investigate misconduct in respect of District, Parish and Town Councillors under the Code of Conduct.</p>	<p>During the year between April 2015 and March 2016 a total of 27 complaints have been received.</p> <p>In a significant proportion of these cases there was either no breach identified or the members concerned were offered guidance and assistance. No cases were referred for investigation.</p> <p>Members have regularly sought advice in order to comply with the Code of Conduct, particularly in relation to declaring interests under the Code.</p> <p>Members have been provided with guidance through the provision of briefing notes and training on the Code of Conduct has been undertaken by the Monitoring Officer.</p>
<p>(f) Investigate breaches of the Council's own protocols.</p>	<p>There have been no alleged breaches of the Council's own protocols which have been investigated and dealt with accordingly.</p>
<p>(g) Provide advice to Town and Parish Councils on the interpretation of the Code of Conduct.</p>	<p>The Monitoring Officer has provided advice to Parish Councils on the Standards and Conduct Arrangements during 2015/16 face to face, by letter, telephone and email.</p> <p>The Monitoring Officer has provided advice and assistance to a number of parishes through interventions to raise standards and deal with complaints.</p>
<p>(h) Promote and support high standards of conduct through support to the Standards Committee.</p>	<p>The Committee has not met this year as there has been no requirement to do so.</p>
<p>(i) Compensation for maladministration.</p>	<p>None.</p>

(j) Maintenance and review of the Constitution.	The Constitution has been revised and updated during the year.
(k) Responsibility for complaints made under the Council's Whistleblowing and Anti-Fraud policies.	None
(l) Breaches of the Employee Code of Conduct.	There have no formal allegation of breaches under the Employee Code of Conduct.
(m) Advice on vires issues, maladministration, financial impropriety, probity and policy framework.	<p>The Monitoring Officer has been consulted on new policy proposals and on matters, which have potentially significant legal implications.</p> <p>The Monitoring Officer has attended Council and other Committees as necessary.</p> <p>Officers consult the Monitoring Officer regularly on vires and probity issues.</p> <p>The Monitoring Officer regularly advises on the legality and/or appropriateness of administrative procedures, in conjunction with the Democratic Services Team.</p> <p>The Monitoring Officer reviewed the Planning Code this year, which was updated.</p>

### 3. Key Messages

3.1 The key messages to note from the year are:

- (i) The systems of internal control administered by the Monitoring Officer including compliance with the Council's Constitution were adequate and effective during the period for the purposes of the latest Regulations. However, it is important that Members and Officers are regularly reminded of their obligations and updated on any changes to ensure there is no complacency.
- (ii) The Constitution continues to be regularly updated.

### 4. Looking Forward

4.1 The key issues for 2015/16 are as follows;

- Planning continues to be the area which generated a substantial number of complaints both at Borough and District level.

#### **4.2 Code of Conduct**

4.2.2 To undertake Member training.

#### **4.3 Corporate Governance Framework**

4.3.1 The Council will keep the Code of Corporate Governance under review, taking into account any revisions to associated guidance and any recommendations arising from audit reports.

4.3.2 The Monitoring Officer will continue to provide an assurance in respect of the Code and the Annual Governance Statement by way of this Annual Report.

#### **4.4 Constitution and Regulations**

4.4.1 The Constitution will be continue to be kept under review by the Monitoring Officer working closely with the Democratic Services Team.

4.4.2 It will be appropriate to continue to remind Members and staff of the importance of compliance with the Council's regulations, as set out in the Constitution and other policy framework documents, and the Monitoring Officer and other staff will give advice accordingly.

### **5. Overall opinion on the adequacy and effectiveness of the Governance framework**

That the systems of internal control administered by the Monitoring Officer including the Code of Conduct and the Council's Constitution, were adequate and effective during the year between April 2015 and March 2016 for the purposes of the latest regulations (subject to the areas outlined above).

Emma Duncan  
Monitoring Officer  
1st April 2016

**AUDIT COMMITTEE REPORT**

<b>TYPE OF REPORT: Audit</b>	<b>Portfolio: Performance</b>
<b>Author Name:</b> Kate Littlewood	<b>CONSULTATIONS:</b> Assistant Director (s151 Officer) Chair, Audit Committee Vice Chair, Audit Committee
<b>Tel.:</b> 01553 616252	
<b>Email:</b> kate.littlewood@west-norfolk.gov.uk	
<b>OPEN</b>	

Committee: Audit Committee  
 Date: 5<sup>th</sup> September 2016  
 Subject: **Review of the Effectiveness of the Audit and Risk Committee 2015/16**

**Summary**

This report reviews the work of the Audit and Risk Committee during the year 2015/16 and considers if the Committee has effectively fulfilled its role.

**Recommendation**

That the Audit Committee considers the content of the report and decides if it accurately reflects the work of the Committee in 2015/16.

That the Audit Committee confirms their agreement to the Chair taking the report to Cabinet as evidence that the Committee operated effectively.

**1.0 BACKGROUND**

- 1.1 The Audit and Risk 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 during 2013-14 and approved by Council 26<sup>th</sup> September 2013, and more recently updated as part of the review of the scrutiny arrangements.
- 1.2 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.'*
- 1.3 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 and Risk Committee during 2015/16.

- 1.4 In order to ensure that this monitoring of governance is carried out effectively, a regular review of the role and activities of the Audit and Risk Committee is necessary.
- 1.5 The previous review indicated that the Committee was providing an effective service. However it was noted that a review of Scrutiny arrangements was being undertaken during 2015/16. This has now been completed, with the new structure being introduced from May 2016.

It was also noted that the Risk Management Strategy was due to be reviewed and updated during 2015/16. This was completed and the new Risk Management Policy and Strategy was presented to the Audit and Risk Committee on 23<sup>rd</sup> February 2016. The Committee also received training on Risk Management at the same meeting.

## **2.0 REVIEW DETAILS**

- 2.1 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. The resulting draft report was then considered by the Chair and Vice Chair of the Audit and Risk Committee.
- 2.2 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.

## **3.0 ITEMS CONSIDERED DURING 2015-16**

- 3.1 Throughout 2015/16 the Audit and Risk Committee held 7 meetings and received a total of 24 reports on a number of issues, including:

### **Internal Audit and Fraud**

- Internal Audit Annual Report 2014/15.
- Annual Report of the Investigations Unit 2014/15
- Internal Audit Strategic Plan 2015/16
- Progress Reports (2)
- Internal Audit Strategic Plan 2016/17

### **External Audit**

- Statement of Accounts 2014/15 Report to those charged with Governance (ISA 260).

- Annual Audit Letter
- 2015/16 External Audit Plan
- Annual Certification of Claims and Returns 2014/15 report

#### **Finance**

- Revenue Outturn 2014/15.
- Capital Programme and Resources 2014/18
- Annual Treasury Report 2013/14.
- Mid-year review Treasury Report 2014/15.
- Treasury Management Strategy 2016/17

#### **Corporate Governance and Risk**

- Corporate Risk Monitoring Report – 6-monthly report (2 reports).
- Annual Governance Statement 2014/15.
- Review of the Effectiveness of the Audit and Risk Committee.
- Business Continuity update.
- Business Continuity Management Policy Statement and Strategy
- Monitoring Officer Annual Report
- Local Government Audit Committee Briefing
- Risk Management Policy and Strategy Review

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

- 3.2 The Committee received 4 training sessions during the year on the Annual Governance Statement, Closing of Accounts, How an Audit is Undertaken, and Risk Assessment.

#### **4.0 OUTCOMES**

- 4.1 The outcome of this report will be to:
- Show evidence that the Audit and Risk Committee is effective in its role.
  - Satisfy the requirement of an annual review of the effectiveness of the Audit and Risk Committee.

#### **5.0 CONCLUSIONS**

- 5.1 During 2015-16 the Audit and Risk Committee received and commented on all relevant reports and actively monitored risk and internal controls. As a result it is continuing to perform effectively and the Council is meeting its requirements under the Accounts and Audit Regulations 2015.



**Borough Council of King's Lynn and West Norfolk  
Audit and Risk Committee Self-Assessment Exercise**

**APPENDIX 1  
For the year 2015-16**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
<b>1. ESTABLISHMENT, OPERATION AND DUTIES</b>						
<b>Role and Remit</b>						
1.1	Does the audit committee have written Terms of Reference?	Y			The Terms of Reference were reviewed and approved by Council on 26 <sup>th</sup> September 2013.	
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			Review has been completed during the recent restructure of the scrutiny function. The next review is due in May 2019.	
1.4	Can the audit committee access other committees and full council as necessary?	Y			All Members attend Full Council and can attend any other Panel or Committee meeting under Standing Order 34.	
1.5	Does the authority's Annual Governance Statement include a description of the audit committee's establishment and activities?	Y			Section 4 'Review of Effectiveness' includes a description of the Audit and Risk Committee's function.	
1.6	Does the audit committee periodically assess its own effectiveness?	Y			An annual review is carried out.	
<b>Membership, Induction and Training</b>						
1.9	Has the membership of the audit committee been formally agreed and a quorum set?	Y			Formally appointed by Council. Quorum set through Standing Orders.	
1.10	Is the chair independent of the executive function?	Y				
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 during 2015-16 had been a previous member of the Audit and Risk Committee and attended all training offered to the Committee, which included Financial training. Chair is also a County Councillor.	

**Borough Council of King's Lynn and West Norfolk  
Audit and Risk Committee Self-Assessment Exercise**

**APPENDIX 1  
For the year 2015-16**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
1.12	Are new audit committee members provided with appropriate induction?	Y			Training is offered to all Members by Democratic Services. The training is carried out prior to the start of a meeting to maximise participation.	
1.13	Have all member's skills and experiences been assessed and training given for identified gaps?		P		An analysis of skills and experiences is not carried out. However, a training programme has been designed to cover all previously identified training needs and Members can request specific training if necessary.	
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?		P		Independent of the Cabinet, but all members of the Audit and Risk Committee also sit as the Resources and Performance Panel.	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			7 meetings held in 2015-16. The programme for 2016-17 includes 6 planned meetings, but this may increase if the Committee needs to consider urgent reports in the intervening time.	
1.17	Do the Terms of Reference set out the frequency of meetings?	Y			Minimum of 4 meetings a year, but this can be increased if necessary.	
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				

**Borough Council of King's Lynn and West Norfolk  
Audit and Risk Committee Self-Assessment Exercise**

**APPENDIX 1  
For the year 2015-16**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
1.21	Does the authority's s151 officer or deputy attend all meetings?	Y			All meetings are attended by the Assistant Director (s151 Officer).	
1.22	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	Y			Relevant officers attend to present the reports and answer questions.	
1.23	Are decisions reached promptly?	Y			A decision is made at the end of each item on the agenda.	

**2. INTERNAL CONTROL**

2.1	Does the audit committee consider the findings of the annual review of effectiveness of the system of internal control (as required by the Accounts and Audit Regulations) including the review of the effectiveness of the system of internal audit?	Y			Audit Manager's Annual Report for 2014-15 was presented on 21 <sup>st</sup> July 2015. An external assessment of the Internal Audit was carried out in 2014 and the results presented to the Committee on 28 <sup>th</sup> October 2014. Update on the actions required was included in the Annual report.	
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			Presented to a Special Meeting on 7 <sup>th</sup> September 2015 as a separate report from the Statement of Accounts 2014-15.	
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 in August 2013.	
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			The Chair and Vice Chair attended joint sif meetings with their counterparts on the Regeneration, Environment and Community Panel to review the Cabinet Forward Decisions list.	
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.	

**Borough Council of King's Lynn and West Norfolk  
Audit and Risk Committee Self-Assessment Exercise**

**APPENDIX 1  
For the year 2015-16**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
2.8	Does the audit committee monitor how the authority assesses risk?	Y			Included in the 6-monthly reports. The Risk Management Policy and Strategy was reviewed and presented to the Committee on 23 <sup>rd</sup> February 2016.	
2.9	Do the audit committee's Terms of Reference include oversight of the risk management processes?	Y			Terms of Reference Sec 4.1(a) and (b) refers.	
2.10	Does the audit committee take a role in overseeing anti-fraud and whistleblowing arrangements?	Y			Terms of Reference Sec 4.1(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 Sec 3.1(a) and (c) refers. The timetable of meetings includes provision for Special Meetings in June and September each year to consider the Statement of Accounts.	The dates of the Special Meetings will be brought forward in 2016/17 to accommodate the earlier closure 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			Special Meeting in September each year.	
3.4	Does the audit committee review management's letter of representation?	Y			Management responses are included in the covering report to the external auditors report. The responses are also discussed at the meeting.	

**Borough Council of King's Lynn and West Norfolk  
Audit and Risk Committee Self-Assessment Exercise**

**APPENDIX 1  
For the year 2015-16**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
3.5	Does the audit committee annually review the accounting policies of the authority?	Y			Included in the Statement of Accounts report.	
3.6	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	Y			The Assistant Director (s151 Officer) and Group Accountant attended the relevant meetings to present the report and answer questions relating to the preparation of accounts. Training on the Closedown of Accounts is also provided immediately prior to the September meeting.	
3.7	Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Y			'Members Bulletin' is circulated to all Members, which contains general updates and circulars when they occur. For issues specifically relevant to the Committee, a report is presented.	

**4. INTERNAL AUDIT**

4.1	Does the audit committee approve annually, and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Y			The Internal Audit Strategic Plan is presented in February each year for approval. Details of how the plan is compiled are included in the covering report. For the year 2015-16 the Plan was presented on 23 <sup>rd</sup> February 2016.	
4.2	Does internal audit have an appropriate reporting line to the audit committee?	Y			Direct access to the Chair is included in the revised Terms of Reference, along with the potential for Internal Audit to meet with the Committee, without Senior Management being present, if necessary.	
4.3	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Audit Manager?	Y			The Committee receives reports on progress against the Strategic Plan, and the Audit Manager presents the Annual Report in June/ July.	
4.4	Are follow-up audits by Internal Audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	Y			Included in the progress reports. Officers can be asked to attend the meetings to answer questions if progress is not satisfactory.	
4.5	Does the audit committee hold periodic private discussions with the Audit Manager?	Y			The facility is available within the Terms of Reference if required. No meetings were required during 2015/16.	
4.6	Is there appropriate co-operation between the internal and external auditors?		P		Ernst and Young receive all Internal Audit reports, but adopt a substantive audit approach and perform their	

**Borough Council of King's Lynn and West Norfolk  
Audit and Risk Committee Self-Assessment Exercise**

**APPENDIX 1  
For the year 2015-16**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
					own tests.	
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 and Risk Committee.	
4.9	Are internal audit performance measures monitored by the audit committee?	Y			Performance Indicators are set as part of the Strategic Plan and monitored in the progress reports.	
4.10	Has the audit committee considered the information it wishes to receive from internal audit?	Y			No requests for specific reports were made in 2015-16, although further information was provided in response to requests from Members. Training was requested on risk management and provided in February 2016.	

02

<b>5. EXTERNAL AUDIT</b>						
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 2015/16.	
5.3	Does the audit committee review the external auditor's annual report to those charged with governance?	Y			Report is presented at the Special Meeting in September.	
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.	

**Borough Council of King's Lynn and West Norfolk  
Audit and Risk Committee Self-Assessment Exercise**

**APPENDIX 1  
For the year 2015-16**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
5.5	Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit inspection letter?	Y			Report to those charged with governance (ISA260) – September 2015 Annual Audit Letter – November 2015 Audit Plan 2014/15 – February 2016 Certification of Claims and Returns Annual Report 2013/14 – February 2016.	
5.6	Does the audit committee assess the performance of external audit?	Y			Considered as reports are presented.	

<b>6. ADMINISTRATION</b>						
<b>Agenda Administration</b>						
6.1	Does the audit committee have a delegated secretary from Committee/Member Services?	Y			Wendy Vincent, Democratic Services.	
6.2	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	Y			A timetable is set for the year detailing meeting dates and deadlines for reports to be submitted.	
6.3	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Y			Included in the timetable for the year.	
6.4	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?			N	'Any Other Business' is not an agenda item. Only 'Urgent Business' is accepted under Standing Order 7.	No action required.
<b>Papers</b>						
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.
<b>Actions Arising</b>						

**Borough Council of King's Lynn and West Norfolk  
Audit and Risk Committee Self-Assessment Exercise**

**APPENDIX 1  
For the year 2015-16**

No	Issue	Y	P	N	Evidence/ Comment	Action Required
6.7	Are minutes prepared and circulated promptly to the appropriate people?	Y			Minutes are produced within a week of the meeting.	
6.8	Do action points indicate who is to perform what and by when?	Y			If action is required.	



## ISSUES DISCUSSED AT MEETINGS OF AUDIT &amp; RISK COMMITTEE 2015 – 2016

<u>Date of Meeting/Length of Meeting</u>	<u>Details</u>	<u>Outcome</u>
<b>08.06.15</b> (58 mins)		
AR7: Cabinet Report: Revenue Outturn 2014/2015	In presenting the report, the Group Accountant explained that the report set out in summary the revenue outturn of 2014/2015 for the General Fund (council tax accounts). The report showed details of the major differences between actual costs/income and the revised estimates for 2014/2015 reported in February 2015 monitoring report.	<b>RESOLVED:</b> That the Panel support the recommendations to Cabinet as follows:  It is recommended that Cabinet approves:  1) The revenue outturn and proposed transfer to reserves for 2014/2015.
AR8: Cabinet Report: Capital Programme and Resources 2014/2018	The Assistant Director presented the report and explained that the report provided details of the outturn of the 2014/2015 Capital Programme and outlined amendments and rephrasing to the spending on schemes, revising the programme for 2015/2016. The Capital Programme outturn for 2014/2015 totalled £11,040,092 against an approved budget of £13,715,050. It was explained that it had been necessary to rephrase a total of £3,233,350 of scheme costs to future years. Capital receipts generated in the year totalled £667,000 of which £663,376 were useable. Members were informed that the capital resources available to fund expenditure in 2014/2015 were detailed in section 3 of the report.	<b>RESOLVED:</b> The Panel support the recommendations to Cabinet as follows:  1) That Cabinet note the outturn of the Capital Programme for 2014/2015 of £11,040,092. 2) That the financing arrangements for the 2014/2015 Capital Programme be approved. 3) That Cabinet approve the revised 2015/2018 Capital Programme as detailed in the report.
<b>23.06.15</b> – (49 mins)		
AR 18: Internal Audit End of Year 2014/2015 Progress Report	The Audit Manager presented the report which showed the Internal Audit activity for the second half of 2014/2015 against the Strategic Audit Plan.	<b>RESOLVED:</b> Members noted the report on the Internal Audit Work Plan 2014/2015.

<u>Date of Meeting/Length of Meeting</u>	<u>Details</u>	<u>Outcome</u>
AR19: End of Year report of Benefits Investigations Unit and Internal Audit Work on the National Fraud Initiative	In presenting the report, the Audit Manager explained that the Benefit Investigations Unit undertook work to prevent and detect benefit fraud and Internal Audit co-ordinated the investigation of matches returned by the National Fraud Initiative exercises. The report provided Members with information regarding the work undertaken in both areas during the 2014/2015 financial year.	<b>RESOLVED:</b> The Committee noted the report.
AR20: Corporate Risk Monitoring Report April 2015	In presenting the report, the Audit Manager explained that the report presented the changes to the Risk Register since the last monitoring report in November 2014 and gave details of the risks falling into the 'Very High' category and the associated work to mitigate the effects.	<b>RESOLVED:</b> The Committee noted the report.
AR21: Strategic Internal Audit Plan 2015/2018	The Audit Manager explained that the report provided Committee members with the opportunity to review the proposed Strategic Internal Audit Plan for 2015/2016.	<b>RESOLVED:</b> The Committee noted the Strategic Internal Audit Plan for 2015/2018.
<b>21.07.15</b> – (95 mins)		
AR31: Presentation on the Annual Governance Statement <b><u>(All Members of the Council were invited to attend for this item)</u></b>	Members received a presentation from the Personnel Services Manager on the Annual Governance Statement which covered the following areas: <ul style="list-style-type: none"> <li>• What is Governance?</li> <li>• What is the Annual Governance Statement.</li> <li>• Why/Who/How/When.</li> <li>• Role of the Audit and Risk Committee.</li> <li>• Relevant to all Elected Members.</li> </ul>	

APPENDIX 2

<u>Date of Meeting/Length of Meeting</u>	<u>Details</u>	<u>Outcome</u>
AR32: Business Continuity Annual Update	The Committee received a Powerpoint Presentation and Annual Update report.	<b>RESOLVED:</b> The Committee noted the progress made, endorsed the approach being taken to the Council's Business Continuity arrangements.
AR33: Internal Audit Annual Report and Opinion 2014/2015	The Assistant Director presented the report that provided Members with an overview of the work undertaken by the Internal Audit Section during 2014/2015 financial year against the Strategic Audit Plan, and provided an assurance option to support the Annual Governance Statement.	<b>RESOLVED:</b> The Committee noted the report.
AR34: Review of the Effectiveness of the Audit and Risk Committee	In presenting the draft Cabinet report, the Assistant Director explained that the report provided Cabinet with the results of the 'Review of the Effectiveness of the Audit and Risk Committee' for 2014/2015 and confirmed that the Committee was fulfilling its stated purpose which was 'to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affected the Council's exposure to risk and weakened the control environment, and to oversee the financial reporting process.'	<b>RESOLVED:</b> The Committee noted the contents of the report.
AR35: Cabinet Report: Annual Treasury Report 2014/2015	The Group Accountant presented the report and explained 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.	<b>RESOLVED:</b> The Committee supported the recommendation to Cabinet as follows:  Cabinet is asked to approve the actual 2014/2015 prudential and treasury indicators in the report, and to note the report.

75

<u>Date of Meeting/Length of Meeting</u>	<u>Details</u>	<u>Outcome</u>
AR36: Cabinet Report: Review and Update of Contract Standing Orders	In presenting the report, the Group Accountant explained that since the current version of Contract Standing Orders was approved by Council on 29 November 2012 there had been several changes in procurement policy. The changes included the publication of the new Local Government National Procurement Strategy in July 2014, the EU Procurement Directive in 2014 and the transposition of this into Public Contracts Regulations 2015. The regulations also included UK government measures to support SMEs that had been referred to as the "Lord Young reforms." Contract Standing Orders had been reviewed and amendments were proposed that included measures to take account of the changes.	<p><b>RESOLVED:</b> The Committee supported the recommendation to Cabinet as follows:</p> <p>Details of the main changes are provided in the body of the report. It is recommended that Cabinet accept the new version of Contract Standing Orders and that they recommend acceptance by full Council.</p>
<b>07.09.15 – 101 mins</b>		
AR45: Cabinet Report: Accounts and ISA 2014/2015	The Group Accountant presented the report which introduced the Statement of Accounts (SOA) 2014/2015 – essentially the Statement was the final accounts set out in a format which included the Council's balance sheet and associated notes. The Committee was informed that the report also considered the report from the Auditor on the Audit of the Accounts 2014/2015 – the International Auditing Standard (ISA 260).	<p><b>RESOLVED:</b> That the Committee support the recommendations to Cabinet and Council as set out below, with the following comment:</p> <p>The Audit Committee approve management's rationale as to why the corrections had not been made and to be included in the Letter of Representation.</p> <p>It is recommended that Cabinet:</p> <ol style="list-style-type: none"> <li>1) Approve the authority for any changes required to the Statement of Accounts is delegated to the Assistant Director (designate Section 151 Officer). In consultation with the Leader of the Council, to authorise amendments and if necessary present an updated Statement to Council.</li> <li>2) Notes the comments of the Auditor in the ISA260.</li> </ol> <p>It is recommended that Council:</p> <ol style="list-style-type: none"> <li>1) Approve the Statement of Accounts for 2014/2015.</li> <li>2) Notes the comments of the Auditor in the ISA260.</li> </ol>

**APPENDIX 2**

<p>AR46: Cabinet Report: Annual Governance Statement</p>	<p>The Personnel Manager 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 during a particular financial year.</p>	<p><b>RESOLVED:</b> That the Committee support the recommendation to Cabinet as follows:</p> <p>It is recommended that the Annual Governance Statement for the 2014/15 year as attached be approved for adoption and that the Leader of the Council and the Chief Executive sign accordingly.</p>
<p>AR47: Cabinet Report: Business Continuity Management Policy Statement and Strategy</p>	<p>In presenting the report the Environmental Health Manager reminded Members that the Committee had received an annual update report at their meeting on 21 July 2015. The revised policy and strategy documents would be submitted to Cabinet on 9 September 2015 recommending acceptance by full Council on 24 September 2015.</p>	<p><b>RESOLVED:</b> That the Committee support the recommendations to Cabinet as follows:</p> <ol style="list-style-type: none"> <li>1) Cabinet accept the new version of the Business Continuity Policy Statement and Strategy attached and that they recommend full acceptance by full Council.</li> <li>2) Delegated authority be granted to the Chief Executive, in consultation with the Leader, as Portfolio Holder for Business Continuity, to make further minor changes if deemed necessary.</li> </ol>

<b>24.11.15 – 52 mins</b>		
AR71: Briefing/Training Session – How an Audit is Undertaken	Members received a Powerpoint presentation from the Auditor on how an audit was undertaken within the Borough Council. All Members were invited to attend for this item.	
AR72: Annual Audit Letter for Year Ended 31 March 2015	Mr R Murray, Ernst and Young presented the Annual Audit Letter for the year ended 31 March 2015.	<b>RESOLVED:</b> The Annual Audit Letter for the year ended 31 March 2015 be noted.
<b>23.02.16 – 95 mins</b>		
AR81: Risk Assessment Briefing/Training	Members received a Powerpoint presentation from the Borough Council's Auditor.	<b>All Members were invited to attend for this item.</b>
AR82: Annual Certification of Claims and Returns	Ernst & Young presented the Certification of Claims Returns Annual Report 2014/2015.	<b>RESOLVED:</b> That the Audit and Risk Committee noted the contents of the Audit Report.
AR83: External Audit Plan	Ernst & Young presented the Borough Council's Audit Plan for year ended 31 March 2016.	<b>RESOLVED:</b> The Committee noted the External Audit Plan for year ended 31 March 2016.
AR84: Local Government Audit Committee Briefing	Ernst & Young presented the Local Government Audit Committee Quarterly Briefing Note.	<b>RESOLVED:</b> The Committee noted the quarterly briefing note.
AR85: Strategic Internal Audit Plan	The Audit Manager presented the report which provided Members with the opportunity to review the proposed Strategic Internal Audit Plan for 2016/2021.	<b>RESOLVED:</b> The Committee noted the Strategic Internal Audit Plan for 2016/2021.
AR86: Members Training	The Chairman, Councillor Humphrey informed Members that this item would appear on all Panel agendas.	<b>Members were invited to forward any suggestions for future training to the Chairman, Councillor Humphrey or the Democratic Services Officer.</b>
AR87: Cabinet Report: Treasury Management Strategy 2016/2017	The Group Accountant presented the report and reminded the Committee that the Council was required to receive and approve a Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy.	<p><b>RESOLVED:</b> The Committee support the recommendations to Cabinet as set out below, with an additional recommendation (5).</p> <p>Cabinet is asked to recommend to Council.</p> <ol style="list-style-type: none"> <li>1) The Treasury Management Strategy Statement 2016/2017, including treasury indicators for 2016/2020.</li> <li>2) The Investment Strategy 2016/2017.</li> <li>3) The Minimum Revenue Provision Policy 2016/2017.</li> <li>4) Adopt the revised Treasury Management Practices</li> </ol>

**APPENDIX 2**

		<p>(TMPs).</p> <p>5) That any debt rescheduling will be report to both Cabinet and the Audit and Risk Committee at the earliest meeting following its action.</p>
<p>AR88: Cabinet Report: Risk Management Policy and Strategy Review</p>	<p>The Audit Manager presented the report and explained that the Council's Risk Management Strategy was last reviewed and approved by Council on 28 January 2010. It was explained that the latest review had split the existing document into two documents, Policy and Strategy, and linked risk management more closely to the achievement of the Council's objectives.</p>	<p><b>RESOLVED:</b> The Committee support the recommendation as set out below:</p> <p>That Cabinet recommend that Council approve the Risk Management Policy and Strategy.</p>

**AUDIT COMMITTEE REPORT**

<b>TYPE OF REPORT: Audit</b>	<b>Portfolio: Performance</b>
<b>Author Name:</b> Kate Littlewood	<b>CONSULTATIONS: Management Team</b>
<b>Tel.:</b> 01553 616252	
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<b>OPEN</b>	

**Committee:** Audit Committee  
**Date:** 5<sup>th</sup> September 2016  
**Subject:** Changes to arrangements for appointment of External Auditors

**Summary**

This report summarises the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.

The decision will have to be made by Full Council in accordance with Schedule 3, Local Audit and Accountability Act 2014 and arrangements will need to be implemented in time to make a first appointment by 31 December 2017.

**Recommendation**

Members are requested to recommend their preferred approach of either:

1. Establishing a stand-alone Auditor Panel to advise the Council on the appointment on behalf of the Council.
2. Commencing work on exploring the establishment of local joint procurement arrangements with neighbouring authorities
3. Indicate the intention to “opt-in” to the procurement process by Public Sector Audit Appointments Ltd (PSAA), as the national Sector Led Body (SLB) (this is the preferred option).
4. Do nothing, in which case an auditor will be appointed by the Secretary of State (this is not recommended).



## 1. Background to the issue

- 1.1. The Local Audit and Accountability Act 2014 brought to a close the Audit Commission and established PSAA to manage the transitional arrangements for the appointment of external auditors and the setting of audit fees for local government. These transitional arrangements have been extended by one year to also include the audit of the accounts for 2017/18.
- 1.2. The Council's current external auditor is Ernst & Young, who were appointed for the audit year 2012/13. The final year of audit under the existing arrangement is 2016/17. When the current transitional arrangements come to an end on 31 March 2018 the Council will need to have a new auditor in place. There are a number of routes by which this can be achieved, each with varying risks and opportunities.
- 1.3. Not all accounting firms will be eligible to compete for the work. They will need to demonstrate that they have the required skills and experience, and be registered with the Institute of Chartered Accounts for England and Wales (ICAEW) who are the Registered Supervising Body approved by the Financial Reporting Council. It is unlikely that small local independent firms will meet the eligibility criteria. Those accounting firms currently approved are listed in **Appendix A**.
- 1.4. Previous external audit contracts have included Grant Certification work that audits the benefits administered on behalf of the Department for Work and Pensions (DWP). The new contracts will only cover the audit of the accounts. Arrangements for the Grant Certification work are being developed by DWP with the support of PSAA.

## 2. Options for local appointment of External Auditors

- 2.1. There are four broad options open to the Council under the Local Audit and Accountability Act 2014 (the Act). The advantages and disadvantages have been summarised in a table in **Appendix B**.

### 2.2. Option 1 - To make a stand-alone appointment

In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the panel must consist wholly, or a majority, of independent members as defined by the Act and the Chair must also be independent.

**Appendix C** provides details of the onerous independence requirements, although no definition of 'friend' is provided.

**Appendix D** is an extract from the 'Guide to Auditor Panels' published by CIPFA, indicating the knowledge and experience independent members will need to be able to fulfil the role.

### 2.3. Option 2 - Set up a Joint Auditor Panel/local joint procurement arrangements

The Act enables the Council to join with other authorities to establish a joint auditor panel (e.g. across all Norfolk councils). Again this will need to consist wholly, or a majority, of independent members.

The Assistant Director (s151 Officer) has recently attended the Norfolk Finance Officers meeting and established that there is no appetite for a Norfolk-wide Auditor Panel. It is expected that the SLB will be used by the other councils.

#### **2.4. Option 3 - Opt-in to a sector led body (SLB)**

On 22<sup>nd</sup> July 2016 PSAA was specified by the Government to become the SLB authorised to make future audit appointments on behalf of principal local authorities.

An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector. In a recent survey, 58% of local authority respondents expressed an interest in the SLB option.

#### **2.5 Option 4 - Do Nothing (Not recommended)**

If the Council fails to appoint an auditor by December 2017, the Secretary of State has the power to appoint a local auditor. This is not a recommended course of action.

### **3. Conclusion and Next Steps**

3.1. There are 3 key points for Members to note:

- i. Whichever option is chosen, this Committee will not be involved in the selection procedure.
- ii. It is unlikely that local audit firms will be eligible to tender.
- iii. The eligible firms have indicated that they will not be interested in small individual contracts.

3.2. If option 3 is selected, a formal decision to opt-in will be required by January 2017 to enable the PSAA to realistically tender to obtain the maximum buying power.

3.3. If options 1 or 2 are selected, the panel recruitment will need to be initiated to be in place by spring 2017, in order that the contract negotiation process can be carried out to make the appointment by December 2017.

### **4. Policy Implications**

There are no policy implications

### **5. Financial Implications**

5.1. If option 1 or 2 is approved, the cost of establishing a local or joint Auditor Panel outlined above will need to be estimated and included in the Council's budget for 2016/17 and 2017/18.

5.2. Opting-in to the national SLB provides maximum opportunity to limit the extent of any increases by entering in to a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel. PSAA will apply a charge to cover the cost of the procurement process, but this will be shared by all the participating local authorities and any surplus funds would be returned to the participants.

## **6. Personnel Implications**

There are no personnel implications

## **7. Statutory Considerations**

### **7.1. Local Audit and Accountability Act 2014:**

Sec 7 – a local authority must appoint an auditor no later than December of the preceding year

Sec 8 – governs the procedure to appoint and specifies that the Full Council must appoint.

Sec 12 – where a local authority fails to appoint an auditor, the Secretary of State will appoint one.

Sec 17 - gives the Secretary of State the ability to enable a Sector Led Body (SLB) to become the appointing person.

## **8. Equality Impact Assessment (EIA)**

There are no equality implications.

## **9. Risk Management Implications**

9.1. There is no immediate risk to the Council. However, early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

## **10. Declarations of Interest / Dispensations Granted**

None required.

## **11. Supporting Information**

The following web links provide Members with useful guidance and information:

CIPFA 'Guide to Auditor Panels'

<http://www.cipfa.org/policy-and-guidance/publications/g/guide-to-auditor-panels-pdf>

PSAA Corporate Plan 2015-18

<http://www.psa.co.uk/about-us/what-we-do/corporate-plan-2015-2018/>

Local Audit and Accountability Act 2014

<http://www.legislation.gov.uk/ukpga/2014/2/contents>

**Accounting firms approved for public audit.**

The following firms have been approved by ICAEW as eligible for appointment as local auditors:

- BDO LLP
- Deloitte LLP
- Mazars LLP
- Ernst & Young LLP
- PricewaterhouseCoopers LLP
- KPMG LLP
- Grant Thornton UK LLP
- Scott Moncrieff
- Moore Stephens LLP

List correct as at 26<sup>th</sup> July 2016.

Advantages and disadvantages of the various options

ADVANTAGES/ BENEFITS	DISADVANTAGES/ RISKS
<b>Option 1 - To make a stand-alone appointment</b>	
<p>Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision, although the choice will be heavily restricted by the requirement for auditors to register with the ICAEW and so the contract may not be open to local firms.</p>	<p>The Council might not receive any bids if the contract is seen to be too small. Audit firms have already indicated that they would not be interested in small individual contracts.</p>
	<p>Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on going expenses and allowances</p>
	<p>The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.</p>
	<p>The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by elected members.</p>
	<p>The relationship with the Audit Committee will need to be managed to ensure a good working relationship is established and managed as the Audit Committee will be receiving and commenting on work carried out by the external auditors selected by the auditor panel.</p>
	<p>The Auditor Panel would need to monitor the contract and ensure the quality of the auditors work was satisfactory using a range of performance metrics. This role is currently performed by PSAA.</p>

Advantages and disadvantages of the various options

ADVANTAGES/ BENEFITS	DISADVANTAGES/ RISKS
	<p>It is possible that resources are spent unsuccessfully if the Panel is appointed but the Council fails to attract sufficient bids or award a contract. In the instance that an auditor is not appointed, the Secretary of State will appoint one (see the 'Do nothing' option).</p>
	<p>The process may be perceived by members of the public and other stakeholders, as the council appointing its own auditors and therefore lacking independence.</p>
<b>Option 2 - Set up a Joint Auditor Panel/ local joint procurement arrangements</b>	
<p>The costs of setting up the panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.</p>	<p>The choice of auditor could be complicated where the auditor has recently or is currently carrying out work such as consultancy or advisory work for the Council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the joint auditor panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.</p>
<p>There is greater opportunity for negotiating some economies of scale by being able to offer a larger combined contract value to the firms.</p>	<p>The value of a contract covering several councils would require the OJEU process to be followed, increasing the length of time required for the procurement process.</p>
	<p>The independence criteria will still apply to members of the panel and in fact could be exacerbated by the involvement of more councils. Any member of the panel would need to satisfy the independence criteria in relation to all the councils</p>

Advantages and disadvantages of the various options

ADVANTAGES/ BENEFITS	DISADVANTAGES/ RISKS
	involved.
	As with the stand-alone panel discussed above, the Joint Auditor Panel would need to monitor the contract and ensure the quality of the auditors work was satisfactory using a range of performance metrics. This role is currently performed by PSAA.
	An additional complication with the Joint Auditor Panel and letting one contract for several councils may arise if one council or more councils have concerns with the audit service, and others do not.
<b>Option 3 - Opt-in to a sector led body</b>	
The costs of setting up appointment panels and negotiating fees would be shared across all opt-in authorities.	Individual elected members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.
By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation	PSAA will apply a charge to cover the cost of the procurement process, but this will be shared by all the participating local authorities and any surplus funds would be returned to the participants.
Any conflicts of interests at individual authorities would be managed by PSAA who would have a number of contracted firms to call upon.	
The appointment process would not be ceded to locally appointed independent members. Instead PSAA would act in the collective interests of the 'opt-in' authorities, utilising the knowledge and experience acquired through the transitional arrangements	

Advantages and disadvantages of the various options

ADVANTAGES/ BENEFITS	DISADVANTAGES/ RISKS
<p>PSAA would take on the role of managing quality assurance and arbitration/ dispute resolution.</p>	
<p>The process could be seen by members of the public and other stakeholders to be more independent and transparent than using a locally appointed panel.</p>	
<b>Option 4 - Do nothing</b>	
<p>No costs of setting up Appointment Panel or procurement exercise.</p>	<p>There will be no opportunity to benefit from economies of scale.</p>
	<p>The Secretary of State will have to appoint and the Council may be seen to be not taking a proactive approach to managing its financial arrangements, which could impact on its reputation.</p>



**Independence Criteria****Extract from the Local Audit and Accountability Act 2014 (including amendments made by regulations)****Local Audit and Accountability Act 2014****SCHEDULE 4 Further provisions about auditor panels****Constitution of auditor panels**

2(1)A relevant authority's auditor panel, other than a health service body's auditor panel—  
 (a) must consist of a majority of independent members (or wholly of independent members),  
 and

(b) must be chaired by an independent member.

(2)A member of a relevant authority's auditor panel, other than a health service body's auditor panel, is "independent" at any given time if the following conditions are met—

(a) the panel member has not been a member or officer of the authority within the period of 5 years ending with that time (the "last 5 years"),

(b) the panel member has not, within the last 5 years, been a member or officer of another relevant authority that is (at the given time) connected with the authority or with which (at the given time) the authority is connected,

(c) the panel member has not, within the last 5 years, been an officer or employee of an entity, other than a relevant authority, that is (at the given time) connected with the authority,

(d) the panel member is not a relative or close friend of—

(i) a member or officer of the authority,

(ii) a member or officer of another relevant authority that is connected with the authority or with which the authority is connected, or

(iii) an officer or employee of an entity, other than a relevant authority, that is connected with the authority,

(e) the panel member is not the authority's elected mayor,

(f) neither the panel member, nor any body in which the panel member has a beneficial interest, has entered into a contract with the authority—

(i) under which goods or services are to be provided or works are to be executed,  
 and

(ii) which has not been fully discharged,

(g) the panel member is not a current or prospective auditor of the authority, and

(h) the panel member has not, within the last 5 years, been—

(i) an employee of a person who is (at the given time) a current or prospective auditor of the authority,

(ii) a partner in a firm that is (at the given time) a current or prospective auditor of the authority, or

(iii) a director of a body corporate that is (at the given time) a current or prospective auditor of the authority.]

(7)In sub-paragraph (2)—

- "elected mayor" has the same meaning as in Part 1A of the Local Government Act 2000;

- "officer", in relation to an entity other than a relevant authority, means a person elected or appointed as, or to, that entity.]

(8)For the purposes of sub-paragraph (2)(d)], a person ("R") is a relative of another person ("P") if R is—

(a) P's partner,

(b) P's parent or grandparent,

(c) P's son, daughter, stepson, stepdaughter or grandchild,

(d) P's brother or sister,

## Independence Criteria

### Extract from the Local Audit and Accountability Act 2014 (including amendments made by regulations)

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(e) P's uncle, aunt, nephew or niece,

(f) a parent, son, daughter, brother or sister of P's partner, or

(g) a partner of any person within paragraphs (b) to (f),

and for this purpose "partner" means a spouse, civil partner or someone a person lives with as if they were husband and wife or civil partners.

(8A) For the purposes of sub-paragraph (2)(f) to (h)—

- "body in which the panel member has a beneficial interest" means a body in which the panel member is a partner, or of which the panel member is a director, or in the securities of which the panel member has a beneficial interest;
- "current or prospective auditor", in relation to a relevant authority, means—

(a) the person appointed to act as the authority's local auditor, or

(b) a person who has made a bid, which has not been declined or withdrawn, for a contract of appointment as the authority's local auditor;

- "director" includes a member of the management committee or other directing body of a registered society, and a member of a limited liability partnership;
- "registered society" means a registered society within the meaning of the Co-operative and Community Benefit Societies Act 2014;
- "securities" means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.]

(9) The Secretary of State may by regulations amend this paragraph so as to make provision about the members of a relevant authority's auditor panel who are or are not independent for the purposes of sub-paragraph (1).

## KNOWLEDGE AND EXPERIENCE

- 3.15 An effective panel composition not only takes into account the independence of its members, but also considers their skills and abilities. There is a wide range of knowledge and experience that members can bring to a panel and that will enable it to perform effectively. No one panel member would be expected to be an expert in all areas, but there may be some core areas of knowledge that members will need to acquire.
- 3.16 In addition, there are also specific skills that the panel chair will need. Many of these skills are not unique to the role of auditor panel chair and experience in other positions or non-executive roles should have helped to build these skills.
- 3.17 Evidence of appropriate skills and knowledge should be sought when appointing members to the panel, particularly for independent members whose skills may not already be known to the authority.
- 3.18 The following list sets out some key areas in which at least some general knowledge and experience will be desirable in a panel member:
- a. local authority finance
  - b. accountancy (public sector or commercial)
  - c. audit processes and regulation (public or private sector, external/local audit or internal audit), including more specifically,
  - d. the role and responsibilities (statutory duties) of a local public auditor in local government.
- 3.19 Other useful knowledge and experience may include knowledge of the authority itself; local government governance arrangements; the role and operation of the auditor panel; procurement; values of good governance and ethics; and law.
- 3.20 Authorities can tailor these lists to their own local circumstances. They may also wish to distinguish between core areas of knowledge that all panel members should seek to acquire and a range of specialisms that can add value to the panel.

## AUDIT COMMITTEE WORK PROGRAMME 2016/2017

### 20 June 2016

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

### 11 July 2016

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

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

### 5 September 2016

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

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

### 17 October 2016

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

- Business Continuity Annual update

**28 November 2016**

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

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

**13 February 2017**

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

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