

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



# **Audit Committee**

## **Agenda**

**Monday, 17th October, 2016**  
at 5.00 pm

in the

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



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

7 October 2016

Dear Member

**Audit Committee**

You are invited to attend a meeting of the above-mentioned Panel which will be held on **Monday, 17th October, 2016 at 5.00 pm** in the **Committee Suite, King's Court, Chapel Street, King's Lynn** to discuss the business shown below.

Yours sincerely

Chief Executive

**AGENDA**

**1. Apologies**

**2. Minutes (Pages 6 - 12)**

To approve the minutes from the Audit Committee held on 5 September 2016.

**3. Declarations of Interest**

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

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

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

To consider any business which, by reason of special circumstances, the Chairman proposed to accept as urgent under Section 100(b)(4)(b) of the

Local Government Act 1972.

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

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

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

**7. Role of the Audit Committee**

The Committee will receive a training session from the Auditor on the Role of the Audit Committee.

**8. Presentation from Norfolk Pension Fund**

The Committee will receive a presentation from Alex Younger.

**9. Business Continuity Annual Update (Pages 13 - 17)**

**10. Committee Work Programme 2016/2017 (Pages 18 - 19)**

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

**11. Date of Next Meeting**

To note that the date of the next meeting of the Audit Committee will take place on Monday 28 November 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 Holders:**

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

**Management Team Representatives:**

Lorraine Gore, Assistant Director  
Ray Harding, Chief Executive

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

Item 7: Gordon Adam, Auditor  
Item 8: Lorraine Gore, Assistant Director  
Item 9: Dave Robson, Environmental Health Manager

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

**AUDIT COMMITTEE**

**Minutes from the Meeting of the Audit Committee held on Monday, 5th September, 2016 at 6.00 pm in the Committee Suite, King's Court, Chapel Street, King's Lynn**

**PRESENT:** Councillor D Pope (Chairman)  
Councillors J Collop, P Gidney, P Kunes, C Manning, T Smith and  
Councillor Tim Tilbrook

**Officers:**

Lorraine Gore, Assistant Director  
Toby Cowper, Group Accountant  
Kate Littlewood, Audit Manager  
Vanessa Dunmall, Performance and Efficiency Manager  
Emma Duncan, Monitoring Officer

A29 **APPOINTMENT OF VICE-CHAIRMAN**

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

A30 **APOLOGIES**

Apologies for absence were received from Councillors Mrs J Collingham, N Daubney and B Long.

A31 **MINUTES**

The minutes of the Audit Committee held on 11 July 2016 were agreed as a correct record and signed by the Chairman.

A32 **DECLARATIONS OF INTEREST**

None.

A33 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was none.

A34 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

A35 **CHAIRMAN'S CORRESPONDENCE (IF ANY)**

There was none.

A36 **MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS COMMITTEE RECOMMENDATIONS/REQUESTS**

None.

A37 **STATEMENT OF ACCOUNTS 2015/2016**

(a) Audit Results Report ISA 260 for the year 31 March 2016

M Hodgson presented the ISA 260 for the year ended 31 March 2016 as circulated with the Agenda and drew the Committee's attention to the following sections of the report:

- Executive Summary.
- Responsibilities and purpose of the External Auditor's Work.
- Financial Statements Audit.
- Value for Money.
- Appendix A – Uncorrected Audit Differences.
- Appendix B – Corrected Audit Differences.
- Appendix C – Independence.
- Appendix D – Auditor Fees.
- Appendix E – Request for a Management Representation Letter.

In response to questions from the Committee, M Hodgson explained that no Value for Money audit could score higher than adequate.

Following further questions from the Committee, M Hodgson informed Members that in comparison with other councils, the Borough Council was in the top upper quartile, had produced a good set of draft accounts and had no significant matters to report.

The Committee was informed of the 2017/2018 Deadlines as set out below which would present a logistical challenge and therefore co-operation and joint working would be required:

- 31 March – Year end.
- 31 May – Draft accounts published.
- 31 July – Final accounts published.

Following questions on the Uncorrected audit differences – for a 99 year lease, the Assistant Director provided background information on the Borough Council's decision to take the £400,000 as a total receipt

rather than bringing it in at £5,000 per annum. With regard to the Business Rates Appeal, the Assistant Director explained that the Borough Council had provision of £2.8m in the Appeals Fund which had been considered prudent and would therefore not be adjusted. Members were provided with background information on the success rate of GP surgeries appeals which had been included in the previous year's accounts.

The Chairman thanked Ernst and Young for attending the meeting.

(b) Statement of Accounts 2015/2016 and Report to those charged with Governance (ISA 260)

Prior to the formal Committee meeting, Members had received a training session on the Statement of Accounts from the Group Accountant, which had included a detailed discussion and opportunity for Members to ask questions.

The Committee received the Statement of Accounts which was the statement of the final accounts set out in a format which included the Council's balance sheet and associated notes.

**RESOLVED:** The Audit Committee

- 1) Considered the comments of the Auditor in the ISA260.
- 2) Approved the Statement of Accounts for 2015/2016.
- 3) The Chairman to sign the Statement of Accounts and the Letter of Representation on behalf of the Borough Council of King's Lynn and West Norfolk.

A38

**ANNUAL GOVERNANCE STATEMENT**

The Performance and Efficiency Manager explained that the Annual Governance Statement was prepared in accordance with the Accounts and Audit Regulations 2015 and was linked closely to the Statement of Accounts.

The Committee was informed that historically, Full Council had approved the Annual Governance Statement, once the Audit Committee had reviewed the content and recommended approval.

However, it was explained that this year the approval mechanism had been changed, and the Audit Committee now approved the Statement of Accounts. It had therefore been determined that the Audit Committee should also approve the Annual Governance Statement.

The Performance and Efficiency Manager and Audit Manager responded to questions from the Committee on the purpose, compilation and monitoring of the Annual Governance Statement.

Following questions on feedback received from the public, the Performance and Efficiency Manager explained that the Annual Governance Statement was published on Borough Council's Website and the public could access the document. The Council had a duty to publish the Annual Governance Statement which was published alongside the Statement of Accounts. The Performance and Efficiency Manager advised that no comments had previously been received from Members of the Public.

**RESOLVED:** The Audit Committee:

- 1) Confirmed that the 2016 Annual Governance Statement properly reflected the risk environment and that actions required to improve it were in hand.
- 2) Approved the 2016 Annual governance statement and confirmed that the chairman of the Audit Committee should sign accordingly.

A39

**MONITORING OFFICER REPORT 2015/2016**

The Monitoring Officer presented the Annual Report for 2015/2016 and highlighted that during the year between April 2015 and March 2016 a total of 27 complaints had been received and that in a significant proportion of those cases there was either no breach identified or the Members concerns were offered guidance and assistance. No cases had been referred for investigation.

The Committee was advised that Members had regularly sought advice in order to comply with the Code of Conduct, particularly in relation to declaring interests under the Code.

In conclusion, the Monitoring Officer explained that there were no issues of concern to report and had therefore given the External Auditors assurance that the systems of internal control were adequate and effective during the year between April 2015 and March 2016.

**RESOLVED:** The Committee noted the Monitoring Officer Annual report for 2015/2016.

A40

**AUDIT COMMITTEE EFFECTIVENESS REVIEW**

The Audit Manager presented the report which reviewed the work of the Audit Committee during the year 2015/2016 and considered if the Committee had effectively fulfilled its role.



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

- 1.13 Have all Member's Skills and experiences been assessed and training given for identified gaps? - (partial). It was explained that an analysis of skills and experiences was not carried out, However, a training programme had been designed to cover all previously identified training needs and Members could request specific training if necessary. No further action was required.
- 1.15 Are Members sufficiently independent of other key committees of the Council? (partial). It was explained that during 2016/2017 the score would be record as being fully compliant because under the new scrutiny arrangements the Audit Committee became an independent Committee from June 2016.
- 4.6 Is there appropriate co-operation between the internal and external auditors? – (partial). It was explained that Ernst and Young received all Internal Audit reports, but adopted a substantive audit approach and perform their own tests.
- 6.4 Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit? – (non-compliant). It was explained that Any Other Business was not an agenda item but any urgent business was accepted under Standing order 7. No further action was required.
- 6.6 Does the Audit Committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented? (Non-compliant). It was explained that there was a corporate template and therefore no further action was required.

The Audit Manager responded to questions from the Committee on the work undertaken by the Borough Council's Audit Team and the approach adopted by Ernst and Young.

Following questions on the Council's biggest risk, the Assistant Director explained that there were policies in place with regard to Treasury. The Borough Council had also appointed external Treasury Advisers, VAT Advisers. It was noted that Borough Council Officers also attended regular training courses. The Audit Manager added that a significant risk was how the Council would deal with the budget cuts in the future with a reduction in available resources.

The importance of regular training sessions for the Audit Committee was recognised and would be scheduled appropriately. The Assistant Director commented that it was appreciated that the Statement of Accounts was a complex technical document and could be divided into sections for further training sessions. It was suggested that the NCC Officer be invited to attend a future meeting to give a presentation on the Pension Fund.

**RESOLVED:** that the Audit Committee:

- 1) Considered the content of the report and decided it accurately reflected the work of the Committee in 2015/2016.
- 2) Confirmed their agreement to the Chairman taking the report to Cabinet as evidence that the Committee operated effectively.

A41

**CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS**

The Audit Manager presented the report which summarised the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/2018 audits.

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

The Audit Manager outlined the four options available and invited the Committee to determine their preferred approach.

In response to questions from the Committee regarding Option 3, the Audit Manager explained that the Borough Council would need to inform the Public Sector Audit Appointments Ltd (PSAA) by January 2017 of its intention to opt-in to the procurement process. It was explained that a tender process would be undertaken to appoint the External Auditors and highlighted that whichever option the Borough Council chose, the Audit Committee would not be involved in the selection process. The Audit Manager advised that it was unlikely that the contract would be for more than 5 years and the cost would be incorporated within the External Auditor's audit fees.

The Assistant Director explained that the total cost of the External Auditor's fees had decreased over the past 3 to 4 years. However, it was noted that the previous external audit contracts had included Grant Certification work that audited the benefits administered on behalf of the Department for Work and Pensions (DWP). The new contracts would only cover the audit of the accounts. However, arrangements for the Grant Certification work were being developed by the DWP with the support of PSAA.

**RESOLVED:** The Committee recommended Option 3: The Council to indicate its intention to "opt-in" to the procurement process by Public Sector Audit Appointments Ltd (PSAA), as the national Sector Led Body.

**A42**      **COMMITTEE WORK PROGRAMME 2016/2017**

The Committee noted the Work Programme for 2016/2017.

The following subjects were identified for future training sessions:

- Presentation from NCC Officer on the Pension Fund (be invited to attend the meeting on 17 October 2016).
- Statement of Accounts – on a section based approach.
- Non-Current Assets.
- Collection Fund.

**A43**      **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will take place on 17 October 2016.

**The meeting closed at 7.15 pm**

**POLICY REVIEW AND DEVELOPMENT PANEL REPORT**

REPORT TO:	Audit Committee		
DATE:	17 October 2016		
TITLE:	Business Continuity – annual update		
TYPE OF REPORT:	Monitoring		
PORTFOLIO(S):	Leader		
REPORT AUTHOR:	Dave Robson, Environmental Health Manager		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

**REPORT SUMMARY/COVER PAGE**

PURPOSE OF REPORT/SUMMARY:
<p>At its meeting in July 2015, the Audit Committee confirmed that it wished to receive an update each year on the Council's Business Continuity arrangements. This report provides the requested update.</p> <p>It outlines the current position of the Council's Business Continuity arrangements, summarises progress made since the last update and describes work that is planned to be undertaken over the coming months.</p>
KEY ISSUES:
<p>The Council has a responsibility as a Category 1 responder under the Civil Contingencies Act 2004 to develop and maintain plans to ensure that, as far as is reasonably practicable, key services can continue to be performed in the event of a disruption or emergency.</p>
OPTIONS CONSIDERED:
<p>Not applicable; the Council must have plans in place under the Civil Contingencies Act 2004.</p>
RECOMMENDATIONS:
<p>The Audit Committee are asked to</p> <ol style="list-style-type: none"> <li>1. review progress made and endorse the approach being taken to the Council's Business Continuity arrangements and</li> <li>2. confirm whether annual updates on the topic are required.</li> </ol>
REASONS FOR RECOMMENDATIONS:
<p>To ensure that Members are kept informed about the Council's Business Continuity arrangements.</p>

**REPORT DETAIL****1.0 Background**

- 1.1 The Civil Contingencies Act 2004 places a duty on Category 1 responders (as defined by the act and which includes all local authorities) to develop and maintain plans for the purpose of ensuring that, so far as is reasonably practicable, if an emergency occurs they are able to continue to perform their key services / critical activities. This means that, in the event of a disruption or emergency, the Council must have plans available to ensure that it can mobilise the functions it needs to:

- deal with any emergency
- ensure that the impact of the emergency on the Council's day-to-day activities is kept to a minimum, and
- ensure that, so far as possible, vital services for the community can be maintained at appropriate levels.

1.2 Business Continuity (BC) Management in the authority is based around a framework of documents as shown below.



responsible officer for Business Continuity in this authority is the Executive Director, Environment and Planning. He is assisted by a small group of officers from across the authority – the Business Continuity Corporate Officer Group (BC COG). Implementing Business Continuity (BC) is the responsibility of the authority's Management Team. However, all members of staff have a responsibility to be aware of the plans that affect their service area and their role following invocation of any BC plan.

## **2.0 Current position**

2.1 Critical Activities are those services that protect life and safety, or are considered essential to support such activity and were considered critical to restore and deliver in the event of a disruption or emergency. Those currently agreed in the Council are:

- CIC – response to customer contacts
- Corporate Communications – including website
- CCTV responsive functions control room
- Emergency Planning – response to incidents
- Homelessness
- ICT – to support other teams
- Incident Management Team – Executive Directors and support
- Personnel – for staff contact details
- Electoral Services – if during a critical time
- Env Health – Food Safety / Health & Safety– if during an incident
- Env Health – Environmental Quality – if during an incident

2.2 A risk assessment has been undertaken to identify the potential threats to the Critical Activities. A 'Threat Card' is in place for each of the threats to guide the Incident Management Team in their consideration of response. The currently agreed threats to the Critical Activities are listed below. The Threat Cards have been updated as necessary over the year under consideration; the main change has been to the Fuel Shortage Threat Card which was updated in April 2016 following national guidance:

- Loss of Staff
- Loss of ICT
- Loss of King's Court
- Fuel Shortage

2.3 The Council has a policy position agreed in September 2015 and will be reviewed in September 2017.

## **3.0 Progress since last report in July 2015**

3.1 Activities undertaken by the BC COG since July 2015 are shown below:

- August 2015 – All critical and non-critical Bronze Plans reviewed and published
- August 2015 – Bomb threat/post room relocation was completed with a live exercise involving white powder being held with staff and outside bodies
- March 2016 – Terms of Reference for the BC COG was created and agreed by Management Team
- March 2016 – An Internal Audit was commenced
- March 2016 – Metis 15 table top exercise was undertaken
- March 2016 – BC Portal address added to staff ID cards

- April 2016 – Staff briefing note no.172 was issued on 11 April explaining the BC Web Portal going live
- June 2016 – Out of hours Contact Card details revised and circulated
- July 2016 – High level ‘Business Impact Assessment’ undertaken – this was a review of all business activity against a set of criteria to confirm in which order services should be recovered in the event of a disruption
- September 2016 – Annual review of critical activities and key threats

#### **4.0 Forward workplan**

4.1 The BC COG have a work plan in place for the next 12 months. Our planning and exercise programme is based upon the agreed threats. Work to be undertaken includes:

- Reviewing live incidents after the event and ensuring the lessons learnt are implemented in future planning
- Planning for and running training exercise Metis 16
- Updating the Loss of King’s Court Threat Card
- Reviewing Bronze Level Business Continuity plans
- Commissioning and testing an alternative ICT server site

#### **5.0 Conclusion**

5.1 The Council's BC arrangements are align to the principles of ISO22301 – which aims to minimise the impact of disruptive incidents. Business Continuity is not a static process; it is therefore important that, as the nature of the organisation changes, our BC arrangements reflect the changes.

#### **6.0 Recommendation**

6.1 The Audit Committee are asked to note progress made, endorse the approach being taken to the Council’s BC arrangements and confirm that annual updates are required.

#### **7.0 Corporate Priorities**

Not applicable, statutory requirement

#### **8.0 Policy Implications**

None. Policy last reviewed in September 2015, next update due 2017.

#### **9.0 Financial Implications**

None

#### **10.0 Personnel Implications**

None

#### **11.0 Statutory Considerations**

11.1 The Council is a Category 1 responder under the Civil Contingencies Act 2004 and therefore has a duty to develop and maintain plans of this nature.

#### **12.0 Equality Opportunity Considerations**

None

**13.0 Risk Management Implications**

13.1 Business Continuity arrangements are included on the Council's risk register.

**14.0 Declarations of Interest / Dispensations Granted**

None

**Background Papers**

Business Continuity Policy Statement and Strategy

Internal Audit Report on Business Continuity July 2016



## AUDIT COMMITTEE WORK PROGRAMME 2016/2017

### 20 June 2016

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

### 11 July 2016

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

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

### 5 September 2016

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

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

### 17 October 2016

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

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

**28 November 2016**

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

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

**13 February 2017**

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

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