

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



# **Audit Committee**

## **Agenda**

**Monday, 31st July, 2017**  
at 5.00 pm

in the

**Education Room  
Town Hall  
Saturday Market Place  
King's Lynn**

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



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21 July 2017

Dear Member

**Audit Committee**

You are invited to attend a meeting of the above-mentioned Panel which will be held on **Monday, 31st July, 2017 at 5.00 pm** in the **Education Room - Town Hall, Saturday Market Place, King's Lynn PE30 5DQ** to discuss the business shown below.

Yours sincerely

Chief Executive

**AGENDA**

**1. Apologies**

**2. Minutes (Pages 5 - 29)**

To approve the minutes from the Audit Committee held on 30 May 2017.

**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. Statement of Accounts - FINAL VERSION TO FOLLOW (Pages 30 - 32)**

**8. External ISA 260 Report (Pages 33 - 80)**

**9. Annual Governance Statement (Pages 81 - 105)**

**10. External Auditor Appointment for Grant Certification Work (Pages 106 - 110)**

**11. Committee Work Programme 2017/2018 (Pages 111 - 113)**

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

**12. Date of Next Meeting**

To note that the date of the next meeting of the Audit Committee will take place on 4 September 2017.

To:

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

**Portfolio Holders:**

Councillor B Long, Leader  
Councillor P Hodson, Performance

**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:

Items 7 & 8: Toby Cowper, Group Accountant

Item 9: Vanessa Dunmall, Performance and Information Officer

Item 10: Kathy Woodward, Audit Manager

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

**AUDIT COMMITTEE**

**Minutes from the Meeting of the Audit Committee held on Tuesday, 30th May, 2017 at 5.00 pm in the Card Room - Town Hall, Saturday Market Place, King's Lynn PE30 5DQ**

**PRESENT:** D Pope (Chairman)  
Councillors Mrs J Collingham, M Hopkins (Vice-Chairman), P Kunes, C Manning and T Tilbrook

**Officers:**

Lorraine Gore, Assistant Director  
Kathy Woodward, Audit Manager  
Vanessa Dunmall, Performance and Information Officer  
Gordon Adam, Auditor

**Observing:**

Dan Cooke, Ernst & Young  
Becky Box, Policy, Performance and Personnel Manager  
Matthew Head, Auditor

A1 **APPOINTMENT OF CHAIRMAN FOR THE MUNICIPAL YEAR 2017/2018**

**RESOLVED:** That Councillor Pope be appointed Chairman for the Municipal Year 2017/2018.

A2 **APPOINTMENT OF VICE-CHAIRMAN FOR THE MUNICIPAL YEAR 2017/2018**

**RESOLVED:** That Councillor Hopkins be appointment Vice-Chairman for the Municipal Year 2017/2018.

A3 **APOLOGIES**

Apologies for absence were received from Councillors Collop, Long, Hodson and Middleton.

A4 **MINUTES**

The Minutes of the Audit Committee held on 13 February 2017 were agreed as a correct record and signed by the Chairman.

A5 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

A6 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

A7 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

A8 **CHAIRMAN'S CORRESPONDENCE (IF ANY)**

There was none.

A9 **TRAINING - HOW TO UNDERTAKE AN AUDIT**

The Committee received a presentation from Kathy Woodward, Audit Manager and Gordon Adam, Auditor (a copy of the presentation is attached to the minutes).

The Audit Manager and Auditor responded to questions relating to:

- How the Council identifies risk.
- Sample sizes when undertaking an audit.
- Processes identified to carry out duties more effectively and efficiently to potentially achieve a saving.
- Information sharing with other local authorities.

The Chairman, Councillor Pope thanked the Audit Manager and Auditor for the presentation.

A10 **DRAFT ANNUAL GOVERNANCE STATEMENT**

The Performance and Information Officer presented the draft 2017 Annual Governance Statement (AGS) – covering the 2016-2017 which provided the Committee with the opportunity for the Committee to review, challenge and provide input prior to the AGS being finalised which will be brought back to the Committee in July 2017.

The Committee was reminded that the preparation and publication of an AGS was a statutory requirement. The AGS was a public statement that described and evaluated the Council's overall governance arrangements, in particular how it had complied with its Code of Corporate Governance during a particular financial year.

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

- Section 1: Report Detail – Introduction.
- Section 2: The Draft Statement.
- Section 3: Issues for the Panel to Consider.
- AGS: Section 4: Review of Effectiveness.
- AGS: Section 5: Areas of Special Interest in Terms of Governance.
- AGS: Section 6: Known changes in the 2017/18 year.
- AGS: Section 7: Action Plan.
- AGS: Appendix A: Evidence List.
- AGS: Appendix B: Action Plan for 2017/2018.

In response to questions regarding the backing system for IT, the Performance and Information Officer explained that the Council had ICT policies in place which were considered fit for purpose and were reviewed on a regular basis. Councillor Kunes proposed that the ICT Manager be invited to attend a future meeting to give a presentation on the Council's back-up systems to which the Committee agreed.

The Chairman, Councillor Pope referred to 5.1.8 Governance elements within Alive Management Ltd which were published on ModGov and asked if the Audit Committee could be given access to the Agendas and Minutes. The Democratic Services Officer undertook to consult with the Democratic Services Manager.

The Policy, Performance and Personnel Services Manager responded to questions on the West Norfolk Strategy Group and advised that Councillor Long attends the meetings.

The Performance and Information Officer confirmed that the Audit Committee now signed off the Statement of Accounts.

Following comments on the Panels electing their own Chairman and Vice-Chairman the Democratic Services Officer advised that the Scrutiny Structures Task Group would be meeting 25 July to undertake a review of the scrutiny arrangements.

The Chairman, Councillor Pope thanked the Performance and Information Officer for the draft AGS.

**RESOLVED:** 1) The Committee reviewed the draft 2017 Annual Governance Statement and determined that the work undertaken to review the governance arrangements in place during the 2016/2017 year was appropriate.

2) The ICT Manager be invited to attend a future meeting of the Audit Committee to give a presentation on the back-up systems operated by the Council.

The Performance and Information Officer presented the report which set out the changes to the Corporate Risk Register since the last monitoring report in October 2016. The report gave details of the risks falling into the 'Very High' category and the associated work being progressed to mitigate the effects.

The Committee was informed that two risks had been removed from the register and two new ones had been added. No risk scores had been changed as part of the review undertaken.

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

- Section 2: Changes to the Register – Risks to be removed and new risks identified (Contaminated Land – Financial Impact, Cyber Security Attack).
- Appendix 1: Corporate Risk Register.

In response to a question from the Chairman, Councillor Pope regarding mandatory training providing for all Members sitting on Internal Drainage Boards, the Executive Director reminded Members that the training session had been held on 15 September 2016. A refresher training sessions for all Councillors could be scheduled if required.

Following questions on how the retail properties were monitored in the Town Centre, the Performance and Information Officer explained that the Town Centres Manager was employed by the Borough Council who provided updates on a regular basis. It was noted that the Council held a good track record of attracting new businesses to the area and assisting those business who wished to expand.

The Executive Director responded to questions on the current refuse contract with Kier.

The Executive Director and Performance and Information Officer responded to questions on the Council's five year land supply.

The Performance and Information Officer responded to questions relating to Manor Farm.

The Chairman, Councillor Pope thanked the Performance and Information Officer for the report.

**RESOLVED:** The Committee considered the contents of the Corporate Risk Register and confirmed agreement with Management Team's assessment of the risks to the Corporate Objectives.



The Audit Manager explained that the purpose of the report was to provide the Audit Committee with an overview of the work undertaken by Internal Audit during 2016/17 and provide the Audit Manager's annual opinion on the system of internal control.

The Audit Manager reminded the Committee that the report included consideration of the effectiveness of the internal audit team and the basis of the Audit Manager's opinion.

In conclusion, the Audit Manager advised that on the basis of the work undertaken during the year, it was considered that the key issues operated in a sound manner and that there has been no fundamental breakdown in control resulting in material discrepancy. However, Members were advised that the Audit Manager's opinion can only provide a reasonable, not absolute, level of assurance as to the adequacy and effectiveness of those systems. In the Audit Manager's opinion, the Council's control arrangements were adequate and effective in 2016/2017, with sound controls in all key areas.

The Chairman, Councillor Pope invited the Committee to comment/ask questions.

There were no questions or comments from the Committee.

**RESOLVED:** The Committee received the annual audit opinion and note the work of Internal Audit for 2016/2017.

A13

### **INTERNAL AUDIT FULL YEAR PROGRESS REPORT 2016/2017**

In presenting the report, the Audit Manager explained that the report provided Members with an update on progress against the Internal Audit Strategic Plan 2016/2017 that was endorsed by the Audit Committee at the meeting on 23 February 2016.

Members were informed that 20 audits had been issued in 2016/2017, details of which were set out at 2.2 of the report. A summary of the reports was attached at Appendix 1 and the full versions were available under the relevant year to Members of the Audit Committee on InSite.

The Audit Manager drew the Committee's attention to section 3 of the report and explained that £115,000 of fraud or error had been identified.

In response to questions on the current resource available for undertaking fraud work was 0.5 post which was considered to be adequate at the present time.

The Executive Director referred to article in the press. The Borough Council had been given funding as part of a scheme in which local authorities are being given the money to recruit extra resources to

review housing benefit claims for fraud and error. A new officer had been recruited on a 12 month contract, using money provided by the Department of Work and Pensions.

The Executive Director/Audit Manager responded to questions on Channelshift and explained that with electronic benefit claims it was easier to compare datasets and it was unlikely therefore to reduce the level of fraud/error.

The Chairman, Councillor Pope thanked the Audit Manager for the report.

**RESOLVED:** The Committee reviewed the progress against the planned work and ensured that it complied with the requirement of the Accounts and Audit Regulations 2015.

A14

### **AUDIT COMMITTEE EFFECTIVENESS REPORT**

The Audit Manager informed Members that it was considered to be good practice for the Audit Committee to present Cabinet with an annual report on the work carried out by the Committee in the preceding year. The report reviewed the work of the Audit Committee during the year 2016/2017 and considered if the Committee had effectively fulfilled its role.

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

- Appendix 1 – Audit Committee Self-Assessment Exercise. It was noted that there were two partially met and two non-compliant issues, details of which were outlined.
- 1.13 – (partial) Have all Member's skills and experiences been assessed and training given for identified gaps?.
- 4.6 – (partial) Is there appropriate co-operation between the internal and external auditors?
- 6.4 (not met) Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external staff)
- 6.6 (not met) Does the Audit Committee issue guidelines and/or a orofoma concerning the format and content of the papers to be presented? It was noted that the format was a corporate template.

The Audit Manager responded to questions and comments relating to 1.13 above and suggested that a questionnaire could be circulated to the Audit Committee to analyse the skills Members had.

The Executive Director advised that a questionnaire comprising 6 questions looking at the key skills could be circulated to ascertain a collective assessment of skills within the Audit Committee. The Audit

Manager explained that it was not possible to delete question 1.13 as it was part of the standing CIPFA template.

The Audit Manager referred Members to 4.6 and explained that Ernst and Young, the Council's external auditors undertook their own testing and did not use information from the Council's Internal Audit Team to form their conclusions. The Borough Council worked well with Ernst and Young and highlighted that the external auditors had a different way of working to the Borough Council's Internal Audit Team.

In relation to 6.4 above, the Audit Manager explained that 'Any other Business' was not an agenda item and that only 'urgent business' was accepted under Standing Order 7.

The Chairman, Councillor Pope commented that the Audit Committee had held 6 meetings in 2016/2017 and considered 25 reports which he considered that the Members had performed well.

**RESOLVED:** 1) That the Audit Committee considered the content of the report and agreed that it accurately reflected the work of the Committee in 2016/2017.

2) That the Audit Committee confirmed their agreement to the Chairman take the report to Cabinet as evidence that the Committee operated effectively.

A15 **COMMITTEE WORK PROGRAMME 2017/2018**

The Committee noted the Work Programme 2017/2018.

A16 **DATE OF NEXT MEETING**

The Chairman, Councillor Pope advised the Committee that the meeting scheduled for 19 June 2017 would be cancelled and instead a training session would be held on the Statement of Accounts and all Councillors would be invited to attend.

**The meeting closed at 6.44 pm**



# Internal Audit: How We Undertake a Planned Assignment

Kathy Woodward and  
Gordon Adam



# We are INTERNAL Audit

- As part of the organisation we share the organisation's ambition to succeed and to be efficient, effective and economic, all in an equitable way.
- We want to deliver ASSURANCE about how well RISK is being CONTROLLED and to play a POSITIVE role in improving management of risk.
  - Not finding fault, catching out, picking on, telling tales, laying the blame, criticising, nit-picking.....



# Public Sector Internal Audit Standards

- Standard 2200 Engagement Planning: Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.
- Standard 2300: Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.
- Standard 2400: Internal auditors must communicate the results of engagements.



# Shared Internal Audit Arrangement

- Since April 2017, have an arrangement to share the Audit Manager with Fenland Council (As agreed by Audit Committee July 2016)
- Audit Plan shows slight reduction in available audit days, but also reduction in audit costs
- Still delivering sufficient audit work to support the annual opinion



# Annual Planning

- Assurance Framework
  - Consistent analysis / risk assessment of the Council's systems / activities
  - Considers financial values, transaction volumes, complexity, regulatory issues, potential reputational impact and staffing issues.
- Provides the “toolkit” to propose an Annual Plan





# Audit Manual

- Our own AUDIT MANUAL contains a section on “Procedures for Conducting Audit Work” which reflects the requirements of the Public Sector Internal Audit Standards.
- We use standardised documentation to record work in a consistent way.



# Audit Files

Each planned assignment has an electronic and a paper file following a set structure

- 1 – Audit Terms of Reference
- 2 – Reports
- 3 – Time record
- 4 - Review Notes
- 5 – Correspondence
- 6 – System Description
- 7 – Finding / test Sheets
- 8 – Background Papers
- 9 – Risk Assessment
- 10 – Follow up



# Planning for an assignment

- **Background research**
  - Previous audit work / any significant developments since last audit work?
  - Legislation / Regulations / good practice.
  - Management concerns / known issues.
- **Contact Sheet** – make sure we identify all the key people we need to know about to perform the audit
- **Terms of Reference** document (Executive Director sign off) and the **Scoping** document set out the specific matters over which we want to achieve assurance (Audit Objectives) and the boundaries of what will, and what will not, be covered by the audit.
- **Assignment Plan** document – sets out what activities we intend to undertake to achieve the audit objectives.



# Ascertainment

- Understand and document how the system / process / activity takes place
  - Narrative descriptions
  - Flow diagrams
- How?
  - Interview staff
  - Read manuals / policies / operating procedures – anything that helps us understand what happens and how it happens
- Why?
  - Identify specific RISKS and the CONTROLS in place to mitigate them.
- Sometimes immediate FINDINGS emerge at this stage which are documented for carry through to the Audit Report



# Testing

- Are identified controls actually being applied in practice?
  - Compliance
- Is the application of controls effective?
  - Substantive
- Test using suitable samples
  - Acquire evidence to form a conclusion (Would another qualified auditor come to the same conclusion based on this evidence?)
- Are controls the best controls for the purpose?
- Is there over / redundant control?
- Document our tests with sufficient supporting evidence



# As we go along...

- Check our understanding with managers – ensure we have got it right.
- Keep management informed of emerging issues – “no surprises” when a draft report is issued.
  - Managers often respond immediately.
- Discuss with colleagues to test and check our own judgement



# Concluding

- Assignment Plan also serves as a conclusion forming document.
- An assurance level is determined for each Audit Objective, in turn informing the assignment assurance level
- For a lot of generic systems (Eg – Council tax, Creditors, Debtors) CIPFA\* produce Generic Control Matrices to assist and support documentation and evaluation of audit work.

\* = Chartered Institute of Public Finance and Accountancy



# Review

- Internal “Quality Assurance” is built in to the process
- Before a report is issued the complete file is reviewed, usually by the Audit Manager
  - Has the audit work covered the planned scope?
  - Are the conclusions supported by adequate and appropriate evidence?
  - Are there any “loose ends”?
- Review queries are documented and responded to by the auditor





# Reporting

- Standard Internal Audit Report template
  - “Exception Reporting” principle
  - Sets out issues in consistent format
    - Observation / consequence / recommendation.
- Meet with management to discuss and agree report content (Draft Report).
- Management add in their response with detail of what will be done, by whom, and when.
- Report becomes Final and is issued to relevant Executive Director and Portfolio Holder.
- 2 weeks later a copy goes on “InSite” (in PDF format) and is copied to other stakeholders including the Chief Executive and External Audit .



# Assurance

- The report offers assurance at overall level and at the level of each Audit Objective
  - **FULL:** “A sound system of internal control that is likely to achieve the system objectives and which is operating effectively in practice”.
  - **SUBSTANTIAL:** “A sound system of internal control but there are a few weaknesses that could put achievement of system objectives at risk”.
  - **LIMITED:** “ A system of internal control with a number of weaknesses likely to undermine achievement of system objectives and which is vulnerable to abuse or error”.
  - **NONE:** “A fundamentally flawed system of internal control that is unlikely to achieve system objectives and is vulnerable to serious abuse or error”.



# Follow Up

- Follow up is normally six months after issue of the Final Report
  - Purpose is to assess whether progress with implementation of agreed actions is very good / good / adequate / poor / inadequate
- A formal Follow Up report is issued (and placed on InSite)
- Depending on the timescale of the action plan more than one follow up may be appropriate



# The Internal Audit team

- Kathy Woodward: Shared Internal Audit Manager
- Gordon Adam: Auditor
- Jamie Hay: Investigations Officer/Auditor\*
- Matthew Head: Auditor

\* Has commenced professional training



# Some Useful Links

- Internal Audit Reports on InSite:  
[http://insite.west-norfolk.gov.uk/service\\_areas/FinanceAndResources/internal\\_audit/default.aspx](http://insite.west-norfolk.gov.uk/service_areas/FinanceAndResources/internal_audit/default.aspx)
- Public Sector Internal Audit Standards:  
<http://www.cipfa.org/policy-and-guidance/standards/public-sector-internal-audit-standards>
- Chartered Institute of Internal Auditors:  
<https://www.iaa.org.uk/>



**POLICY REVIEW AND DEVELOPMENT PANEL REPORT**

REPORT TO:	<b>AUDIT COMMITTEE</b>		
DATE:	31 July 2017		
TITLE:	<b>STATEMENT OF ACCOUNTS 2016/2017 AND REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260)</b>		
TYPE OF REPORT:	Recommendation		
PORTFOLIO(S):	Cllr B. Long Cllr P. Hodson		
REPORT AUTHOR:	Toby Cowper		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

**REPORT SUMMARY/COVER PAGE**

<b>PURPOSE OF REPORT/SUMMARY:</b>
<p>The report introduces the Statement of Accounts (SOA) 2016/2017</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 2016/2017 – 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 2016/2017</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 2016/2017 before 30 September 2017 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 2016/2017 – a statutory document that must be approved by the Council before 30 September 2017. In 2018 under the new legislation the Statement of Accounts must be signed by 31 July. The Statement has been subject to external audit by Ernst & Young (the Council's auditors for 2016/2017).
- 1.2 Cabinet has already received a report on the outturn of the budget for 2016/2017 at its meeting 27 June 2017. 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 2016/2017 – the International Auditing Standard (ISA 260) – provides members with an overview of the findings of the audit.

### **2 Statement of Accounts 2016/2017**

- 2.1 The Council must formally approve the SOA for 2016/2017 by 30 September 2017. 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 2017 and its income and expenditure for the year then ended.
- 2.2 As the Council's designated S151 Officer, the Executive Director, Finance Services, 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 the Statement of Accounts 2016/2017 document is copied below. The Balance Sheet is a 'snapshot' of the Council's financial position at the 31 March 2017.

31 March 2016		31 March 2017	
£'000		£'000	
129,090	Property, Plant and Equipment	135,612	
17,954	Heritage Assets	17,954	
24,225	Investment Property	24,349	
608	Intangible Assets	512	
7,530	Long Term Investments	3,059	
4,297	Long Term Receivables	4,673	
<b>183,704</b>	<b>Long Term Assets</b>	<b>186,159</b>	
18,229	Short Term Investments	18,700	
84	Inventories	95	
11,323	Short Term Receivables	7,610	
1,484	Cash and Cash Equivalents	4,339	
1,091	Assets Held for Sale	2,339	
<b>32,211</b>	<b>Current Assets</b>	<b>33,083</b>	
(2,833)	Provisions	(1,676)	
(4,187)	Short Term Borrowing	(230)	
(12,932)	Short Term Payables	(14,190)	
<b>(19,952)</b>	<b>Current Liabilities</b>	<b>(16,096)</b>	
(395)	Grants Receipts in Advance	(304)	
(13,200)	Long Term Borrowing	(13,000)	
(202)	Other Long Term Liabilities	(230)	
(41,479)	Pension Liabilities	(54,460)	
<b>(55,276)</b>	<b>Long Term Liabilities</b>	<b>(67,994)</b>	
<b>140,687</b>	<b>Net Assets</b>	<b>135,152</b>	
(27,280)	Usable Reserves	(33,946)	
(113,407)	Unusable Reserves	(101,206)	
<b>(140,687)</b>	<b>Total Reserves</b>	<b>(135,152)</b>	

### 3. Issues for the Panel to Consider

Considers the comments of the auditor in the ISA260

Approve the Statement of Accounts for 2016/2017

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

Cllr Brian Long, Cllr Peter Hodson

### 10. Background Papers

Council agenda/minutes, Financial Plan 2016/2021, Monitoring Reports 2016/2017



**Borough Council of King's  
Lynn & West Norfolk  
Audit results report**

Year ended 31 March 2017

Private and Confidential

31 July 2017



Dear Audit Committee Members

We have substantially completed our audit of Borough Council of King's Lynn and West Norfolk (the Authority) for the year ended 31 March 2017.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3.

The statutory deadline for 2016/17 is 30 September 2017. However, the Authority is aiming to approve the financial statements on 31 July 2017 in preparation for the earlier statutory deadline of 31 July which is relevant for financial years ending on or after 31 March 2018. As such we confirm that we also expect to issue our audit opinion by the end of July 2017.

We also have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources

This report is intended solely for the use of the Audit Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully

Mark Hodgson  
Executive Director

For and on behalf of Ernst & Young LLP

United Kingdom

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the 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 (updated September 2015)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature..

This report is made solely to the Audit Committee, other members of the Authority and management of Borough Council of King's Lynn and West Norfolk in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, other members of the Authority and management of Borough Council of King's Lynn and West Norfolk those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee, other members of the Authority and management of Borough Council of King's Lynn and West Norfolk for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



# 01

# Executive Summary



# Executive Summary

## Overview of the audit

### Scope and materiality

In our Audit Plan presented to the Audit Committee at their 13 February 2017 meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We carried out our audit in accordance with this plan. There have been no changes in our planned audit strategy.

We planned our procedures using a materiality of £1.732 million (for the group this was £1.748 million). We reassessed this using the actual results for the financial year, which has reduced this amount to £1.678 million (for the Group this is £1.697 million). The threshold for reporting audit differences has remained consistent at £0.08 million. The basis of our assessment of materiality has remained consistent with prior years at 2% of gross expenditure.

We also identified areas where misstatement at a lower level than materiality might influence the reader and developed a specific audit strategy for them. They include:

- ▶ Remuneration disclosures including any severance payments, exit packages and termination benefits. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed. In particular we have confirmed the figures for senior officer remuneration in full.
- ▶ Related party transactions. The accounting standard requires us to consider the disclosure from the point of materiality to either side of the transaction. We have therefore considered the nature of the relationship in applying materiality.
- ▶ Councillors' allowances. As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.



## Executive Summary

### Executive summary (continued)

#### Status of the audit

We have substantially completed our audit of Borough Council of King's Lynn and West Norfolk's financial statements for the year ended 31 March 2017 and have performed the procedures outlined in our Audit plan. Subject to satisfactory completion of the following outstanding items (as at 13 July 2017) we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until all work is complete, further amendments may arise. The items outstanding are:

- ▶ Creditors testing;
- ▶ Expenditure and Funding Analysis;
- ▶ Review of the final version of the financial statements;
- ▶ Completion of subsequent events review;
- ▶ Completion of final review procedures; and
- ▶ Receipt of the signed management representation letter

We expect to issue the audit certificate at the same time as the audit opinion.

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#### Audit differences

At the time of writing this report there are no unadjusted audit differences arising from our audit.

We have identified a number of adjustments which have been corrected by management in the revised financial statements subject to approval. These are set out in Section 4.

We also identified a number of minor disclosure adjustments which have also been corrected by management. The more significant of these are set out in Section 4.



## Executive Summary

### Executive summary (continued)

#### Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Borough Council of King's Lynn & West Norfolk's financial statements. This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues; and
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit Committee.

#### Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified the following significant risk:

- Sustainable resource deployment: Achievement of savings needed over the medium term.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.



## Executive Summary

### Executive summary (continued)

#### Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We are not reporting any matters to the National Audit Office (NAO) regarding the Whole of Government Accounts submission as the Authority falls below the £350 million threshold for review as per the NAO's group instructions.

We have no other matters to report.

#### Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls within key financial systems.

#### Independence

Please refer to Appendix B for our update on Independence. We have no independence issues to highlight.







# 02 Areas of Audit Focus



# Areas of Audit Focus

## Audit issues and approach: Risk of Fraud in Revenue Recognition

### Revenue Recognition

#### What are our conclusions?

Our testing has not identified any material misstatements from revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.


#### What is the risk?

##### Risk of fraud in revenue recognition

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.

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.

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.

 Significant Risk

#### What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Review and test revenue and expenditure recognition policies;
- ▶ Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- ▶ Develop a testing strategy to test material revenue and expenditure streams;
- ▶ Review and test revenue cut-off at the period end date; and
- ▶ We will test the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure.



# Areas of Audit Focus

## Audit issues and approach: Management Override of Controls

### Management Override


#### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.  
We have not identified any instances of inappropriate judgements being applied.  
We did not identify any other transactions during our audit which appeared unusual or outside the Authority's normal course of business.

#### What is the risk?

##### Risk of management override

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.

 Significant Risk

#### What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Reviewing accounting estimates for evidence of management bias; and
- ▶ Evaluating the business rationale for significant unusual transactions.



## Areas of Audit Focus

# Audit issues and approach: Presentation of the Financial Statements

### Expenditure and Funding Analysis

#### What are our conclusions?

Our testing has not identified any material misstatements in the 2016/17 statement of accounts.

A number of adjustments have been made to the EFA note in the statement of accounts. We have worked with the Council to ensure that the disclosures made are in line with the Code.

These adjustments were presentational in nature and did not impact the surplus or deficit figure in the CIES.

No other issues were identified during our work performed in this area.

#### What is the risk?

##### Financial statements presentation - Expenditure and funding analysis and Comprehensive income and expenditure statement

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the code) this year changing the way the financial statements are presented.

The new reporting requirements impact the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MiRS), and include the introduction of the new 'Expenditure and Funding Analysis' note as a result of the 'Telling the Story' review of the presentation of local authority financial statements.

The Code no longer requires statements or notes to be prepared in accordance with SeRCOP. Instead the Code requires that the service analysis is based on the organisational structure under which the authority operates. We expect this to show the Council's segmental analysis.

This change in the code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will require audit review, which could potentially incur additional costs, depending on the complexity and manner in which the changes are made.

#### What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Reviewing the expenditure and funding analysis, CIES and new disclosure notes to ensure disclosures are in line with the Code;
- ▶ Reviewing the analysis of how these figures are derived, and how the ledger system has been re-mapped to reflect the Council's organisational structure;
- ▶ Agreeing restated comparatives figures to the Council's segmental analysis and supporting working papers; and
- ▶ Due to the initial findings that the restated figures for gross expenditure and gross income did not agree to the 2015/16 financial statements, reviewing how overheads are apportioned across the service areas reported and their treatment.



## Areas of Audit Focus

# Audit issues and approach: Property, Plant and Equipment Valuations

### Property, Plant and Equipment Valuations

#### What are our conclusions?

Our testing has not identified any material misstatements in the property, plant and equipment figures in the 2016/17 statement of accounts.

#### What is the risk?

##### Property, plant and equipment valuations

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.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

#### What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Reliance on management's experts and review of the instructions given to that valuer;
- ▶ Consideration of the accounting treatments and basis of valuation as required by the Code;
- ▶ Test of detail if required; and
- ▶ Test of the journals and derivation of accounting entries.



## Areas of Audit Focus

# Audit issues and approach: Pension Valuation and Disclosure

### Pension Valuation and Disclosure

#### What are our conclusions?

Our testing has not identified any material misstatements in the pension valuation and disclosure in the 2016/17 statement of accounts.

#### What is the risk?

##### Pension valuation and disclosure

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.

#### What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ The actuarial expertise used by the Council;
- ▶ The reasonableness of the estimations and judgements used;
- ▶ Liaising with the auditors of the Essex Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Colchester Borough Council; and
- ▶ Assessing the conclusions drawn on the work of the actuary by the Consulting Actuary commissioned by the NAO, including the use of our own pension's specialists.



## Areas of Audit Focus

# Audit issues and approach: Non-Domestic Rates Provision

### Non-Domestic Rates Provision

#### What are our conclusions?

Our testing has not identified any material misstatements in the NDR provision and relevant disclosure in the 2016/17 statement of accounts.

#### What is the risk?

##### Non-Domestic Rates Provision

Councils need to provide for Business Rate appeals and will need to consider the following when estimating the provision under IAS 37.

The council has developed an appropriate estimation methodology in previous years but this methodology needs to be reassessed to ensure that the assumptions made remain appropriate to prepare a reliable estimate for the 2016/17 financial statements.

#### What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ detailed accounting for business rates to ensure the Council's accounts are materially accurate and compliant with the CIPFA Code of practice; and
- ▶ Council's provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37. 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.



## Areas of Audit Focus

# Audit issues and approach: Group Consolidation

### Group Consolidation

#### What are our conclusions?

Our testing has not identified any material misstatements in the group consolidation within the 2016/17 statement of accounts.

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#### What is the risk?

##### Group Consolidation

The Council prepares group accounts to consolidate Alive Management Limited, which provides operational day to day management services for four sports facilities and a theatre.

The Council needs to ensure that the consolidation of the subsidiary is undertaken in line with the relevant accounting standards and in line with the code of practice.

#### What did we do?

In order to address this risk we carried out a range of procedures including:

- ▶ Providing group audit instructions to the component auditor specifying which specific balances we wish them to provide assurance over;
- ▶ Reviewing the outcomes of the component auditor's work; and
- ▶ Ensuring that appropriate consolidation procedures are applied when consolidating relevant entities into the BCKLWN group accounts.





# 03 Audit Report



## Draft audit report

### Our proposed opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

##### Opinion on the Authority's financial statements

We have audited the financial statements of Borough Council of King's Lynn & West Norfolk for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement,
- Authority and Group Comprehensive Income and Expenditure Statement,
- Authority and Group Balance Sheet,
- Authority and Group Cash Flow Statement,
- the related notes 1 to 36 to the Authority Accounts and notes G1 to G7 to the Group Accounts
- and the Collection Fund and the related Collection Fund notes C1-C3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of Borough Council of King's Lynn & West Norfolk, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



# Audit Report

## Draft audit report (continued)

### Our proposed opinion on the financial statements

#### Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Director of Finance's Responsibilities set out on pages 2, the Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to the Authority and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016-2017 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Borough of King's Lynn & West Norfolk and Group as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

#### Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016-2017 for the financial year for which the financial statements are prepared is consistent with the financial statements.



# Audit Report

## Draft audit report (continued)

### Our proposed opinion on the financial statements

#### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

#### Conclusion on Borough of King's Lynn & West Norfolk's arrangements for securing economy, efficiency and effectiveness in the use of resources

##### Authority's responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

##### Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



# Audit Report

## Draft audit report (continued)

### Our proposed opinion on the financial statements

#### Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

#### Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

#### Certificate

We certify that we have completed the audit of the accounts of Borough Council of King's Lynn & West Norfolk in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

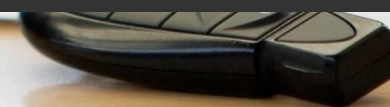
..... Date:.....July 2017  
Mark Hodgson (senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Cambridge



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04

## Audit Differences





# Audit Differences

## Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

### Summary of adjusted differences

We have included all known amounts greater than £0.08 million relating to Borough Council of King's Lynn & West Norfolk in our summary of misstatements below.

We highlight the following misstatements in the financial statements or disclosures identified during the audit. These have been corrected by management:

- ▶ £2.71 million reclassification between long-term investments and short-term investments (£2.38 million) and long-term receivables (0.33 million). This was due to the incorrect classification of the NWES loan.
- ▶ £0.30 million understatement of the council tax bad debt provision in the collection fund, resulting in a £0.03 million understatement for the Council's element.
- ▶ £0.09 million overstatement of cash due to the bank reconciliation being performed incorrectly.
- ▶ £0.10 million overstatement of investment properties due to issues identified in the fixed asset register.

There were no uncorrected misstatements.

We have included a list of the disclosure differences identified below. These have been corrected by management:

- ▶ Contents - incomplete and references to prior year.
- ▶ Narrative Report - two sections of the CIPFA Code of Practice Guidance omitted, borrowings and pensions.
- ▶ Expenditure and Funding Analysis - this note required additional disclosure in line with the Code.
- ▶ Note 4 Assumptions made about the Future and Other Major Sources of Estimation Uncertainty - sensitivity analysis required context.
- ▶ Note 22 Leases - Minimum lease payments disclosure updated from £4,398 to £43,975.
- ▶ Note 22 Leases - Incorrect figure used for other land and buildings finance lease total.
- ▶ Note 23 Investment Properties - comparator figures incorrectly omitted.
- ▶ Note 29 Short-term Receivables - figure incorrectly typed should be £6,306k not £6,236k.
- ▶ Collection Fund - classification difference between bad debt provision and write offs of uncollectable amounts
- ▶ Post Balance Sheet Events - separate note is required.

There were no uncorrected disclosure misstatements.

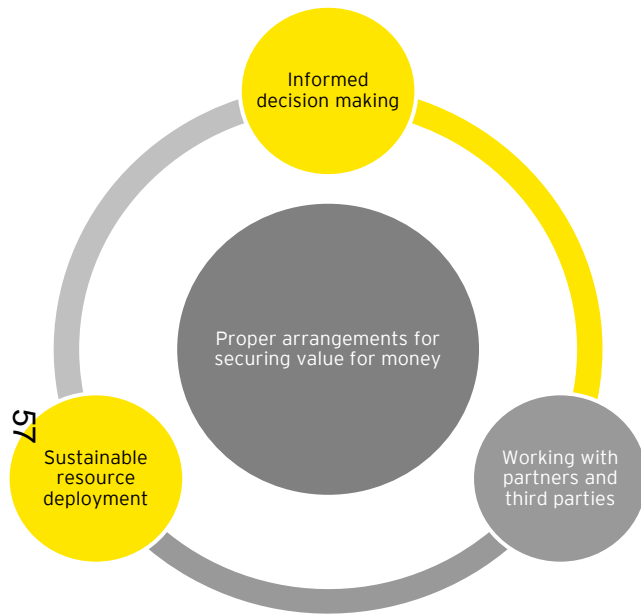


**05 Value for Money**





## Value for Money



### Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your 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.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

### Overall conclusion

We identified one significant risk around these arrangements. The table below present our findings in response to the risk in our Audit Plan and any other significant weaknesses or issues we want to bring to your attention.

We expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



# Value for Money

## VFM Risk

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined as: *“A matter is significant if, in the auditor’s professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public”*

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risk area in our Audit Plan.

What is the significant VFM risk?	Arrangements this impacts?	What are our findings?
<p><b>Sustainable resource deployment: Financial resilience - achievement of savings needed over the medium term</b></p> <p>In the Council’s medium term financial strategy (MTFS), approved in February 2016 and the Budget report for December 2016, the Council identified a cumulative budget gap of £3.8 million over the next three years.</p> <p>The Council has updated their budget as at February 2017 reporting a three year budget deficit of £3.2m</p> <p>The MTFS is based on a number of assumptions, including an estimate of the future levels of Government funding. Any reduction in Government funding in future years, together with an increased use of reserves represents a risk to achievement of the Council’s future budgets.</p>	<ul style="list-style-type: none"> <li>• Taking informed decisions</li> <li>• Deploying resources in a sustainable manner</li> </ul>	<p>We have undertaken the procedures as set out in our audit strategy which have focused on:</p> <ul style="list-style-type: none"> <li>▶ The Council’s historic financial performance, including its ability to deliver challenging savings targets;</li> <li>▶ The Council’s current financial standing;</li> <li>▶ The Council’s processes for setting its budget, and the nature of the budget assumptions;</li> <li>▶ The competency of the Council’s finance team; and</li> <li>▶ The political stability of the Council.</li> </ul> <p>The Council currently has a good level of un-earmarked general fund reserves (£8.8 million at 31 March 2017), which are above the minimum levels range set by the Council’s s151 officer. The current level of reserves is expected to reduce as it includes an allocation for a one-off payment to the Pension Fund in 2017/18 and to smooth the planned approach to cost reductions over the medium term. These provide the Council with the flexibility to manage its financial position over the short-to-medium term, including making a one-off payment to the Pension Fund and for the Council’s planned approach to cost reductions.</p> <p>The Council also has in place substantial levels of earmarked reserves (£20.5 million at 31 March 2017). These have been established for a number of purposes, including the financial consequences of matters that have not yet arisen or to fund specific service areas/projects. The existence of these reserves provides further evidence of the Council’s prudent approach to financial management.</p> <p>Our review of the budget setting process, assumptions used in financial planning, in year financial monitoring, and the Council’s history of delivery has not identified any significant matters that we wish to report to you. Therefore, based on the known information as at the end of the financial year, we assess the Council to have adequate arrangements.</p>



**06** Other reporting issues



## Other reporting issues

# Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Borough Council of King's Lynn and West Norfolk Statement of Accounts 2016/17 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Our findings are:

- ▶ Financial information within the Narrative Report and published with the financial statements was consistent with the Annual Accounts.
- ▶ We have reviewed the Annual Governance Statement and can confirm that, following the minor amendments made, it is consistent with other information that we are aware of from our audit of the financial statements.

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We have no other matters to report.

### 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, is 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.



## Other reporting issues

# Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

We did not identify any issues.

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits

We have no matters to report.



07

# Assessment of Control Environment



## Assessment of control environment

### Financial controls

It is the responsibility of the Authority 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 Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed.

In accordance with our Audit Plan we have performed a fully substantive audit and have not performed detailed testing on the operation of key financial controls.

3

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

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.



# 08 Appendices





## Appendix A

# Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have done this by:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	February 2017 Audit Plan
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Any significant difficulties encountered during the audit</li> <li>▶ Any significant matters arising from the audit that were discussed with management</li> <li>▶ Written representations we have requested</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Any other matters significant to overseeing the financial reporting process</li> </ul>	July 2017 Audit Results Report
Going concern	<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 together to raise any doubt about Borough Council of King's Lynn and West Norfolk's ability to continue for the 12 months from the date of our report.
Misstatements	<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>▶ Significant corrected misstatements, in writing</li> </ul>	July 2017 Audit Results Report



# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> <li>▶ Asking the Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving:               <ul style="list-style-type: none"> <li>(a) management;</li> <li>(b) employees with significant roles in internal control; or</li> <li>(c) others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>▶ A discussion of any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, where 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/or regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have no matters to report.
Subsequent events	<ul style="list-style-type: none"> <li>▶ Where appropriate, asking the Audit Committee whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	We have asked management and those charged with governance. We have no matters to report.
Other information	<ul style="list-style-type: none"> <li>▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.</li> </ul>	July 2017 Audit Results Report
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ We were unable to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	At the time of writing this report we are awaiting some external confirmations in relation to cash, investments and borrowings. We will provide you with an update at the Audit Committee on 31 July 2017.







# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Consideration of laws and/or regulations	<ul style="list-style-type: none"> <li>▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on “tipping off”</li> <li>▶ Asking the Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Audit Committee.</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	July 2017 Audit Results Report
Group Audits 67	<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 group audit team’s planned involvement in the component auditors’ work on the financial information of significant components</li> <li>▶ Instances where the group audit team’s evaluation of a component auditor’s work of gave rise to a concern about its quality 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 or component management, employees with significant roles in group-wide controls, or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	February 2017 Audit Plan  July 2017 Audit Results Report
Independence	<p>Communication of all significant facts and matters that have a bearing on EY’s objectivity and independence.</p> <p>Communicating 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 on the firm’s general policies and processes for maintaining objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards.</p>	February 2017 Audit Plan  July 2017 Audit Results Report



# Appendix A

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	  <b>When and where</b>
Fee Reporting	Breakdown of fee information when the audit plan is agreed Breakdown of fee information at the completion of the audit Any non-audit work	February 2017 Audit Plan  July 2017 Audit Results Report
Certification work	Summary of certification work	Certification Report



# Independence



We confirm that there are no changes in our assessment of independence since our confirmation in our audit planning board report dated 13 January 2017.

We complied with the APB Ethical Standards and the requirements of the Public Sector Audit Appointment's (PSAA) 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 consider that our independence in this context is a matter which you should review, as well as us. It is important that you **and your Audit Committee** consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 31 July 2017.

We confirm we plan to undertake no non-audit work outside the PSAA Code requirements.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

	Planned Fee 2016/17 £'s	Scale Fee 2016/17 £'s	Final Fee 2015/16 £'s
Total Audit Fee - Code work	51,291 (See Note 1)	51,291	54,289
Total audit fee - Certification of claims and returns ( <b>Note 2</b> )	23,460	23,460	19,602

**Note 1:** We need to review our costs before reporting formally agreeing the final fee with you. We have performed additional audit work in relation to the following areas, which may lead to a variation to the planned fee:

- ▶ The expenditure and funding analysis, additional audit work in relation to the standard of the Council's supporting working papers, given the dry run approach taken to the achieving the early close deadlines;
- ▶ The Council produces consolidated financial statements which in prior years have incurred a scale fee variation to reflect the additional work required for the consolidation including instructing and relying upon the component auditor and in reviewing the disclosures required to meet the group consolidation requirements of the Code of Practice and International Accounting Standards. This will incur an additional fee of £3,000.

**Note 2:** The planned fee for the certification of housing benefit subsidy is based on the programme of work carried out in 2014/15.

We will confirm our final fees following the completion of our audit and non-audit work and report this within our Annual Audit Letter and Annual Certification Report.





## Appendix C

# Accounting and regulatory update



### Accounting update

Since the date of our last report to the Audit Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on Borough Council of King's Lynn and West Norfolk 
<p><i>IFRS 9 Financial Instruments</i></p> <p>70</p>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> <li>▶ How financial assets are classified and measured</li> <li>▶ How the impairment of financial assets are calculated</li> <li>▶ Financial hedge accounting</li> <li>▶ The disclosure requirements for financial assets.</li> </ul> <p>Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> <li>▶ Reclassify existing financial instrument assets</li> <li>▶ Re-measure and recalculate potential impairments of those assets; and</li> <li>▶ Prepare additional disclosure notes for material items</li> </ul>
<p><i>IFRS 15 Revenue from Contracts with Customers</i></p>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> <li>▶ Leases;</li> <li>▶ Financial instruments;</li> <li>▶ Insurance contracts; and</li> <li>▶ for local authorities; Council Tax and NDR income.</li> </ul> <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.</p>	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none"> <li>▶ Disaggregate revenue into appropriate categories</li> <li>▶ Identify relevant performance obligations and allocate income to each</li> <li>▶ Summarise significant judgements</li> </ul>



## Appendix C

Name	Summary of key measures 	Impact on Borough Council of King's Lynn and West Norfolk 
<i>IFRS 16 Leases</i>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p>
<i>Earlier deadline for production and audit of the financial statements from 2017/18</i>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>The Council has implemented a dry-run for 2016/17 and subject to the outstanding matters raised elsewhere in this report, we are proposing to issue our audit report by the 31 July 2017.</p> <p>However, the draft accounts were submitted for audit 2 weeks after the planned submission date and did not meet the 31 May target date.</p> <p>There are a number of areas where the closedown processes can be further improved going forward. However, we do not expect the formal earlier deadline to pose a significant issue for the Council.</p>



## Appendix D - Request for a Letter of Representation



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INVESTOR IN PEOPLE

13 July 2017

Lorraine Gore  
Executive Director Finance  
Borough Council of King's Lynn & West Norfolk  
Kings Court  
Chapel Street  
King's Lynn  
Norfolk  
PE30 1EX

Ref:  
Your ref:

Direct line: 01223 394547

Email: MHodgson@uk.ey.com

Dear Lorraine,

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### **Borough Council of Kings Lynn & West Norfolk – 2016/17 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 Audit Committee, as those charged with governance of the Council.

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





## Appendix D - Request for a Letter of Representation



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### General statement

That the letter of representations is provided in connection with our audit of the financial statements of Borough Council of Kings Lynn & West Norfolk ("the Group and Council") for the year ended 31 March 2017.

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 Kings Lynn & West Norfolk as of 31 March 2017 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 2016/17.

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, for the Group and Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. That you acknowledge as members of management of the Group and Council, your responsibility for the fair presentation of the consolidated and council financial statements. We believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and are free of material misstatements, including omissions. We have approved the consolidated and council financial statements.



## Appendix D - Request for a Letter of Representation



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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 2016/17, that are free from material misstatement, whether due to fraud or error.

### 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 Group or Council's 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 Group or Council.

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## Appendix D - Request for a Letter of Representation



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### 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

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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: 31 July 2017.
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.



## Appendix D - Request for a Letter of Representation



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6. That you have disclosed to us, and the Group and 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 Note 4 to the Group and Council's 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.

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- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

## H. Group audits

1. That there are no significant restrictions on your ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
- 77 2. That the necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.
3. You confirm that entities excluded from the consolidated financial statements are immaterial on a quantitative and qualitative basis.

## I. Expenditure Funding Analysis

1. That you have reviewed the new requirements (as set out in the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17), in relation to the preparation of the Expenditure Funding Analysis to replace the previous segmental reporting analysis, and confirm that all required amendments to the Comprehensive Income and Expenditure Statement and Movement in Reserves Statement, as well as the requirements to prepare the Expenditure Funding Analysis and related notes have been correctly reflected in the financial statements, including retrospectively reflecting this in the financial statements.
2. You confirm that the financial statements reflect the operating segments reported internally to the Council.

## J. Going Concern

1. That you have made us aware of any issues that are relevant to the Group and 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.

## K. Ownership of Assets

1. That except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).



### L. Reserves

1. You have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

### M. Valuation of Property, Plant and Equipment Assets

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
3. You confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.
5. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
6. You confirm that for assets carried at historic cost, that no impairment is required.

### N. 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. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.



## Appendix D - Request for a Letter of Representation

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### P. Specific Representations

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

69 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 (currently 31 July 2017) on formal headed paper.

Yours sincerely

Mark Hodgson  
Executive Director  
Ernst & Young LLP  
United Kingdom

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**POLICY REVIEW AND DEVELOPMENT PANEL REPORT**

REPORT TO:	Audit Committee		
DATE:	31 July 2017		
TITLE:	2017 Annual Governance Statement – covering the 2016-17 year		
TYPE OF REPORT:	Monitoring		
PORTFOLIO(S):	Leader		
REPORT AUTHOR:	Vanessa Dunmall, Performance & Efficiency Manager		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

**REPORT SUMMARY/COVER PAGE**

<b>PURPOSE OF REPORT/SUMMARY:</b>
<p>The Terms of Reference of the Audit Committee<sup>1</sup> state <i>“The main areas of responsibility for the Audit Committee will be to: ...</i></p> <p><i>b. Review the Council’s assurance statements, including the Annual Governance Statement (AGS), to check that it properly reflects the risk environment and any actions required to improve it.”</i></p> <p>This report brings the Council’s 2017 Annual Governance Statement (covering the 2016/17 year) to the Committee.</p> <p>The preparation and publication of an Annual Governance Statement (AGS) is a statutory requirement<sup>2</sup>. The AGS is a public statement that describes and evaluates the Council’s overall governance arrangements, in particular how it has complied with its Code of Corporate Governance during a particular financial year. The Statement is attached at Appendix A.</p>
<b>KEY ISSUES:</b>
<ol style="list-style-type: none"> <li>1. CIPFA<sup>3</sup> issue guidance and a template to aid authorities in their work on their AGS; this is used as a framework, but the document is written each year.</li> <li>2. Section 7 refers to the Action Plan devised for the 2017/18 year (shown on the final page of the document).</li> <li>3. A draft version of the Statement was brought to the Audit Committee on 30 May 2017 to review the draft 2017 Annual Governance Statement and determine that the work undertaken to review the governance arrangements in place during the 2016/17 year was appropriate and whether there were any gaps.</li> <li>4. Input has been gathered from Executive Directors, the Monitoring Officer, Service Managers, Internal Audit and External Audit prior to coming to the Audit Committee.</li> </ol>
<b>OPTIONS CONSIDERED:</b>
Options do not apply; the Council must prepare, approve and publish a statement.
<b>RECOMMENDATIONS:</b>
<p>The Committee is recommended to</p> <ol style="list-style-type: none"> <li>1. Confirm that the 2017 Annual Governance Statement (as attached) properly reflects the risk environment and that actions required to improve it are in hand</li> </ol>

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

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

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

2. Approve the 2017 Annual Governance Statement (as attached) and confirm that the Chair of the Audit Committee should sign accordingly.

**REASONS FOR RECOMMENDATIONS:**

In order to

- comply with the Audit Committee Terms of Reference
- ensure that Council complies with the Accounts and Audit Regulations 2015, regulation 6(1)

**REPORT DETAIL**

**1. Introduction**

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

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

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

1.3 The preparation and publication of an Annual Governance Statement (AGS) is a statutory requirement. The AGS is a public statement that describes and evaluates the Council's overall governance arrangements during a particular financial year. It includes a self-assessment of the effectiveness of the governance arrangements, across all areas of activity, together with a statement of the actions being taken or required to address any areas of concern.

**2. The 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 2016/17.

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

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

2.4 Section 4 contains information based on standard reports and events that inform the Review of Effectiveness.

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

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

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

#### **4.0 Corporate Priorities**

Not applicable, statutory requirement

#### **5.0 Policy Implications**

None

#### **6.0 Financial Implications**

None

#### **7.0 Personnel Implications**

None

#### **8.0 Statutory Considerations**

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

#### **9.0 Equality Opportunity Considerations**

None

## **10.0 Risk Management Implications**

- 10.1 The Annual Governance Statement forms part of the Council's risk management process and will provide reasonable assurance once adopted in July 2017 (as defined in section 8 of the AGS itself) that the Council is complying with the adopted Code of Corporate Governance.
- 10.2 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.

## **11.0 Recommendations**

- 11.1 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.
- 11.2 The Committee is recommended to
1. Confirm that the 2017 Annual Governance Statement (as attached) properly reflects the risk environment and that actions required to improve it are in hand
  2. Approve the 2017 Annual Governance Statement (as attached) and confirm that the Chair of the Audit Committee should sign accordingly.

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

None

## **Background Papers**

CIPFA/SOLACE Framework including Guidance Notes and Addendum

Cabinet / Panel agendas

Code of Corporate Governance

Various policies, strategies, procedures

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



# Annual Governance Statement

2017

Covers the 2016/17 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.

The Council has a Code of Corporate Governance in place which sets out how the Council intend to apply the principles of corporate governance, in accordance with 'Delivering Good Governance' within the Local Government CIPFA/ SOLACE Framework. A copy of the code is on our website at [www.west-norfolk.gov.uk](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 priorities and objectives
- evaluate the likelihood and potential impact of those risks being realised
- manage them efficiently, effectively and economically.

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

## **3. The governance framework**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

During the 2016/17 year, the Council formally entered into partnership with other public sector organisations in Norfolk in the 'One Public Estate' programme running across Norfolk

following a successful bid for funding towards feasibility work, agreed in Autumn 2016. Formal governance for the partnership is outlined within the 'Norfolk Partnership Services & Assets Delivery Plan' document.

The Council has a Data Quality Policy and Strategy in place and available on its website. Having this in place shows that the Council understands the importance of data quality and is committed to being consistent in its management of data quality within the organisation and in partnership with others. It also means that the Council ensures that the data produced adheres to the 7 principles of data quality. The Policy was reviewed, and the Strategy was refreshed during the 2016/17 year<sup>1</sup>. Training is planned for the 2017/18 year for officers who collect data used for corporate performance measures to support the application of the strategy.

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

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

During 2016/17 the Council's Anti-Fraud and Anti-Corruption Strategy, which details the approach to its arrangements, has been reviewed and updated<sup>2</sup>. The Strategy covers the roles of elected Members, employees and managers (including contractors and agents), the Internal Audit and Fraud team and External Audit.

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

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

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

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<sup>1</sup> Presented to Cabinet in February 2017

<sup>2</sup> Presented to Cabinet in February 2017

<sup>3</sup> [https://www.west-norfolk.gov.uk/info/20160/budgets\\_and\\_spending/511/efficiency\\_plan\\_2016-2020](https://www.west-norfolk.gov.uk/info/20160/budgets_and_spending/511/efficiency_plan_2016-2020)

of 2020/21 these will be transferred to reserves to fund investment in major capital projects which will provide future revenue income.

One of the corporate priorities is to deliver our 'channel-shift' programme. The key document for delivery is the 'Switched On' Transformation Plan which was refreshed during the 2016/17 year to keep account of elements that were delivered. The plan sets out how the authority is approaching service transformation, and introducing improved digital services across the organisation and is underpinned by communications and training plans to support employees through the changes required, equipping them with the skills they will need to implement new ways of working.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

During the year, planning also took place to move to a shared arrangement with Fenland District Council to manage the Internal Audit team with effect from 1 April 2017<sup>4</sup>. A handover period has been in place since November 2016 to assist the change and a Section 113 agreement is in place to underpin the arrangement.<sup>5</sup> These arrangements have been entered into in order to provide a cost saving to the authority, whilst at the same time continuing to provide an effective internal audit function through a different model of delivery.

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

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

The Chief Executive is the Council's Head of Paid Service and has overall responsibility for the management and co-ordination of the employees appointed by the Council. The Chief Executive is required to report to the Council as appropriate with regard to the way in which

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<sup>4</sup> Cabinet report August 2016

<sup>5</sup> Section 113 of the Local Government Act 1972

the different functions of the Council are co-ordinated, the number and grades of staff required for the discharge of these functions, the way in which these people are organised and managed and the way in which they are appointed.

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

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

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

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

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

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

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

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

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

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

delivery and items are recorded via agendas and minutes. A Terms of Reference was adopted during the 2016/17 year to ensure the remit of the group was clear.

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

During the 2016/17 year the Council's Financial Regulations were updated<sup>6</sup>. Contract Standing Orders, another key document in respect of contracts for the supply of goods and services or for the execution of works, were updated in the 2015/16 year.

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

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

In January 2017, Full Council<sup>8</sup> formally adopted the Community Infrastructure Levy (CIL) Charging Schedule, which came into effect on 15 February 2016. CIL is the Government's chosen approach to set a mandatory tariff on development and applies to relevant planning decisions made from that date. CIL means funds will be raised from new development in the Borough. The funds received will contribute towards funding improvement to infrastructure (facilities and services) required to support the development and growth planned for the borough.

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

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

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

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

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<sup>6</sup> Council January 2017

<sup>7</sup> Council February 2017

<sup>8</sup> Council January 2017

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

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

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

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

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

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

public are also able to ask questions on a topic or service within the Council's control at Full Council meetings.

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

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

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

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

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

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

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

The Council also continues to participate in an informal, collaborative partnership with local partners via the West Norfolk Partnership Strategy Group. The strategy group agrees priority



issues which will benefit from a combined and coordinated response from partners. The Strategy Group have agreed updated Terms of Reference in March 2017.

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

### **3.18 Appendix A**

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

## **4. Review of effectiveness**

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

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

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

- The Council's external auditors review the activities of the Council, approve the annual accounts and certify grant claims (where required). Conclusions and significant issues arising are detailed in various reports from the auditors. Their 'Audit Results Report – ISA (UK and Ireland) 260' went before the Audit Committee on 5 September 2016 and the Annual Audit Letter went before the Audit Committee on 28 November 2016. **These reports from the external auditors refer to the 2015/16 financial year (the latest available)** and they confirmed that the Council had put in place proper arrangements to secure value for money in its use of resources, and that the financial statements gave a true and fair view of the financial position of the Council as at 31 March 2016.
- A Member / Officer protocol is in place and forms part of the Council's constitution.
- The Monitoring Officer issued an Annual Report covering the 2016/17 year which went before the Audit Committee on 31 July 2017 and provides an overall opinion on the adequacy and effectiveness of the Governance framework. The report stated that the systems of internal control administered by the Monitoring Officer were adequate and effective during the year between April 2016 and March 2017 for the purposes of the latest regulations.
- Additionally, it is the responsibility of the statutory officers to report to Council on any issues concerning the review of the effectiveness of internal control arrangements. There have been no issues arising during 2016/17 which have required the full Council to exercise its role.
- Due to ongoing professional training of employees in specialist areas, an error has been picked up in the 2016/17 year. A member of staff in the Revenues team, whilst studying for the IRRV qualification, noticed that the Council's process for business rates reassessments following a change in Rateable Value, put in place by a member of staff who has now left the authority, did not correlate with their studies. Following further investigation with the software supplier, it has been identified that part of the process was incorrect causing the miscalculation of ratepayers' bills and transitional relief. This process has been used since 2013. The problem was exacerbated by the fact that the guidance notes provided by the software supplier were inaccurate. The error has resulted in ratepayers having been underbilled, and a subsequent write-off of the underbilled amount totalling £522,910. This has been included in the end of year annual business rates return required by Government. The external auditors have been informed as part of their audit of the accounts for 2016/17 and the write-off has been included within the Council's 2016/17 annual accounts. Actions taken as a result of this error being identified are
  - Two members of staff are now in place to deal with this specialist area, rather than one (the previous member of staff having left in 2016)
  - Both members of staff have attended several specific NNDR transition courses to ensure full and correct understanding of requirements
  - When undertaking the Business Rates audit during 2017/18, Internal Audit will focus on this element.

To summarise this section: a review of the Council's overall governance arrangements for the 2016/17 year has been undertaken; the review has not highlighted any issues of significant weaknesses in governance or internal control during the year. The issue outlined above

around business rates is highlighted here as an example of our ongoing commitment to improvement. All arrangements outlined in section 4 are in place and operating as planned.

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

### Leisure arrangements

- 5.1 The Council's leisure and arts facilities have been operated and managed through an independent Trust and wholly owned Local Authority Company since 1 September 2014. Full details of the arrangements in place are contained within the Council's 2016 Annual Governance Statement (covering the 2015/16 year) and are therefore not repeated here as there have been no material changes to the arrangements. However, a brief overview of the arrangements in place are as follows:
- 5.1.1 The Borough Council leases sports and arts facilities to Alive Leisure, which is a charitable trust. Alive Leisure is contracted by the Council to undertake various activities including operation of the facilities.
- 5.1.2 The Borough Council retains responsibility for maintenance of the facilities and utilities, and pays a Management Fee to Alive Leisure (the trust).
- 5.1.3 Alive Management Ltd is a wholly owned Local Authority Company (LAC) which is subcontracted by Alive Leisure for the operational management and delivery of leisure services, and to manage maintenance / equipment / capital requirements and utility consumption.
- 5.1.5 Alive Leisure, being an independent charitable trust, is a separate entity and no further information on it is therefore covered within this governance statement.
- 5.1.6 Alive Management Ltd (the LAC) has a Board of 5 members, three are Borough Councillors and two are Borough Council Executive Directors. Staffing consists of a Chief Operating Officer and 16 staff. The Company Secretary role is performed by the Council's Chief Financial Officer.
- 5.1.7 Approximately 100 staff are employed jointly by Alive Leisure and Alive Management Ltd – including for example, duty officers, lifeguards, and theatre technicians.
- 5.1.8 Governance elements within Alive Management Ltd (the LAC)
- i) Regular board meetings are held; these are minuted and published via the ModGov system.
  - ii) Individual business plans are in place for each leisure/arts facility which link into the overall strategy created by Alive Leisure (the Trust).
  - iii) The quality and aims of services are measured via external health and safety audits, externally scored mystery shopper visits, customer surveys, national benchmarking, analysis of attendance figures, and regular monitoring of the financial position.
  - iv) Alive Management Ltd comply with the Council's terms and conditions; all staff and all jointly employed staff have a clear understanding of the standards of behaviour that are required. The arrangements in place for identifying and delivering staff training mirror those in place within the Borough Council.

v) There are arrangements in place for identifying and managing risks to the organisation, for example there is a joint Business Continuity plan in place between Alive Leisure and Alive Management.

vi) Roles and responsibilities are defined by job descriptions and contracts for employment are in place. Service Level Agreements are in place between Alive Management and Accountancy, HR, ICT and Internal Audit, and regular meetings with these services take place. Alive Management use the Borough Council's practices and procedures in these areas, including financial regulations and contract standing orders; this ensures compliance with relevant laws and regulations, and that expenditure is legal. The Chief Operating Officer has the level of spend allowable defined, all spend above this limit is taken to the Board to determine.

vii) The Chief Operating Officer from Alive Management and the Chief Executive Officer from Alive Leisure meet every week to review reports from Managers. An action log is maintained and the meetings are minuted; Managers can raise queries – whether issues or opportunities through this forum and responses are fed back.

viii) External auditors are in place; they present information and report to the Board in accordance with normal practices. The Accounts are recorded at Companies House in accordance with statutory timescales, changes of Board members are reported to Companies House and the required annual return is submitted as required. All returns are complied with, including corporate tax and VAT returns to HMRC.

ix) Alive Management's treasury account is consolidated with the Borough Council's and is managed as part of the Council's arrangements. Recording of payments and income are recorded separately on the ledger. All financial controls are mirrored but separate.

x) An annual health check is built into the VAT advice contract in place for the Council, Alive Management and Alive Leisure to ensure the arrangements are still fully compliant with VAT arrangements that underpin the new leisure delivery model.

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

- The finance function – monitoring accounts, budgets and closedown – for the Leisure Trust is no longer delivered by the Council, it is delivered by a finance officer directly engaged within the Trust. Monthly finance review meetings are held between officers of the Council, Alive Management Ltd and Alive Leisure as the Council continues to undertake all other financial elements: the Trust still operates on open book accounting and interdependencies remain between Alive Leisure Trust, Alive Management Ltd and the Borough Council. This change has resulted in a reduction in the charge to the Trust for accountancy support.
- The frequency of meetings that take place between Alive Management, Alive Leisure and HR and Alive Management, Alive Leisure and ICT have reduced to quarterly during the 2016/17 year as working arrangements have been consolidated.

#### Legal arrangements

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

designated statutory posts. Eastlaw provide the client role for commissioned legal services, as well as providing general advice.

### Local Authority Housing Company

5.3 In August 2016, Cabinet resolved<sup>9</sup> to set up a wholly owned Local Authority Company the main purpose of which is to help meet the Council's statutory housing duties, by holding property that will be purchased and / or leased from the Council in order to create and provide affordable housing. The company is called the West Norfolk Housing Company Ltd and is a 'with profits' company limited by shares.

#### 5.3.1 Governance elements within West Norfolk Housing Company Ltd

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

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

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

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

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

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

## **6. Known changes in the 2017/18 year**

### 6.1 Internal Audit

During the year, planning took place to move to a shared arrangement with Fenland District Council to manage the Internal Audit team with effect from 1 April 2017. A handover period has been in place since November 2016 to assist the change and a Section 113 agreement is in place to underpin the arrangement.<sup>10</sup> These

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<sup>9</sup> 2 August 2016

<sup>10</sup> Section 113 of the Local Government Act 1972

arrangements have been entered into in order to provide a cost saving to the authority, whilst at the same time continuing to provide an effective internal audit function through a different model of delivery. Care was taken when devising the new arrangements to ensure that the shared Internal Audit Manager will be able to provide the assurance required by management and Members, and issue an Audit Opinion for the Annual Governance Statement.

#### 6.2 Corporate Risk Register

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

#### 6.3 External Audit

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

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

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

#### 6.4 Timetable for Accounts

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

#### 6.5 Boundary Commission for England review

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

## **7. Action Plan**

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

The Action Plan to be worked on during 2017/18, containing 10 new items identified through the review undertaken on the 2016/17 year is attached at Appendix B.

## **8. Assurance summary**

From the review undertaken, the assessment and ongoing monitoring work completed<sup>11</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. We are satisfied that an on-going process for identifying, evaluating and managing key risks exists. These risks are reflected in the audit plan, the Corporate Risk Register and are the subject of separate reports during the course of the year.

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

**Signed:**

Cllr Brian Long  
Leader of the Council  
Date:

Ray Harding  
Chief Executive  
Date:

Cllr David Pope  
Chair of the Audit Committee  
Date:

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<sup>11</sup> By the Audit Committee during 2016/17

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

<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>• 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 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>• 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 2017/18 YEAR

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

**POLICY REVIEW AND DEVELOPMENT PANEL REPORT**

REPORT TO:	Audit Committee		
DATE:	31 <sup>st</sup> July 2017		
TITLE:	Grant Certification External Audit Appointment		
TYPE OF REPORT:	Scrutiny		
PORTFOLIO(S):	Performance		
REPORT AUTHOR:	Kathy Woodward, Shared Internal Audit Manager		
OPEN		WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

**REPORT SUMMARY/COVER PAGE**

<b>PURPOSE OF REPORT/SUMMARY:</b>
<p>To provide the Audit Committee with an overview of the required process for appointing external auditors in relation to the Grant Certification work.</p> <p>This work primarily covers auditing the Housing Benefit Subsidy claim and does not form part of the arrangements previously agreed for the general external audit appointment process.</p>
<b>KEY ISSUES:</b>
<p>The Local Audit and Accountability Act (2014) (the Act) introduced the necessity for Local Authorities to establish an auditor panel and manage their own procurement from 2018/19.</p> <p>Under the new regulations, the Authority opted to join a national collective scheme, led by PSAA (Public Sector Audit Appointments) Ltd, for the appointment of auditors.</p> <p>However, PSAA's audit contracts from 2018/19 <b>will not cover</b> certification work, such as for housing benefit subsidy claims, as PSAA has no power under the Local Audit and Accountability Act 2014 to make certification arrangements.</p> <p>This report includes the options for consideration by the committee.</p>
<b>OPTIONS CONSIDERED:</b>
<p>There are two options available for the appointment of auditors for certification work:</p> <ol style="list-style-type: none"> <li>1. Authorities can make the appointment through a normal procurement process, or</li> <li>2. Authorities can directly approach the auditor appointed by PSAA to also conduct the certification work.</li> </ol>
<b>RECOMMENDATIONS:</b>
<ol style="list-style-type: none"> <li>1. To suspend Contract Standing Orders as noted within the report in order to appoint the same auditor for the grant certification work as is appointed by the PSAA for the general audit work.</li> <li>2. To delegate to the Section 151 Officer the authority to negotiate and enter into a contract with the preferred supplier for the grant certification work, for the same term as the contract awarded through PSAA.</li> </ol>
<b>REASONS FOR RECOMMENDATIONS:</b>
<p>To ensure a route is in place for appointment of external auditors for completion of grant certification work required for 2018/19.</p>

## **REPORT DETAIL**

### **1. Introduction**

- 1.1 The Local Audit and Accountability Act (2014) (the Act) introduced the necessity for Local Authorities to establish an audit panel and manage their own procurement of external auditors from 2018/19.
- 1.2 Under the new regulations, the Authority opted to join a national collective scheme, led by PSAA (Public Sector Audit Appointments) Ltd, for the appointment of auditors.
- 1.3 Progress to date with this procurement has resulted in six lots being awarded to various firms, see following link:  
  
<http://www.psaa.co.uk/press-release-procurement-of-audit-services-delivers-outstanding-results/>
- 1.4 PSAA have confirmed that these contracts will cover a five-year period commencing with the audit of accounts for 2018/19. PSAA has an option to extend the contracts for a further two-year period, to a total of seven years, if it chooses to do so.
- 1.5 In due course the PSAA will begin a consultation process leading to the appointment of named audit firms to each individual authority, with all appointments being finalised by 31 December 2017.

### **2. Grant Certification Work**

- 2.1 PSAA's audit contracts from 2018/19 **will not cover** certification work, such as for housing benefit subsidy claims, as PSAA has no power under the Local Audit and Accountability Act 2014 to make certification arrangements. Any certification work required by grant paying government departments will need to be undertaken using a tripartite agreement between an audited body, an audit firm and the grant paying body, under instructions prepared by the grant paying body.
- 2.2 The Department for Work and Pensions (DWP) is developing its arrangements for housing benefit subsidy claim certification from 2018/19 on this basis. Where applicable, Local Authorities (LAs) will appoint an auditor for this certification work (for which an auditor panel is not required) and may choose to use the same auditor appointed by PSAA for the audit of the accounts, if they are opted-in bodies.
- 2.3 A DWP circular has been issued to LAs highlighting that the DWP will need to have been notified of the HB auditor by 28th Feb 2018. The DWP will not support the procurement exercise therefore the LAs will be subject to their own constitution and their standing financial instructions (SFI) and/or scheme of delegation (SoD) to procure the service.

### 3. Options

- 3.1 There are two options available for the appointment of auditors for certification work:
1. Authorities can make the appointment through a normal procurement process, or
  2. Authorities can directly approach the auditor appointed by PSAA to also conduct the certification work.

- 3.2 Option one is discounted as it would be costly to run a full procurement exercise and it may lead to a different auditor being appointed.

Option two is proposed as the preferred option.

- 3.3 The audit firm that PSAA appoints to each Local Authority will be confirmed by 31<sup>st</sup> December 2017, with an initial term of five years, with the option to extend by a further two years.

- 3.4 The Authority could then directly approach this firm to procure the necessary grant certification services, for the same term. This would provide a more efficient audit service with all work being carried out by the same auditor.

- 3.5 In order to do this, however, the Authority would need to make an exception to its Contract Standing Orders. The Contract Standing Orders allow for exemptions to be made in certain circumstances.

- 3.6 *BCKLWN - Contract Standing Orders - Exceptions*

*43. Exemptions from these Standing Orders are provided for in the Constitution. An exemption allows a contract to be placed by direct negotiation with one or more suppliers. Exemptions may be granted if they fall within one of the following categories:-*

*43.4. The Executive Director decides that special circumstances make it appropriate and beneficial to negotiate with a single firm or that a single tender be invited. This will include occasions when it can be established that there is only a single source available or where the Executive Director or his/her designate can demonstrate that best value for the Authority can be better achieved by not tendering.*

- 3.7 The council has a planned spend for 2017/18 of £23,460 on grant certification work.

- 3.8 In the interim the council will need to pull together their requirements in order to negotiate terms & conditions for the grant certification work.

#### **4. Recommendations**

- 4.1 To suspend Contract Standing Orders as noted within the report in order to appoint the same auditor for the grant certification work as is appointed by the PSAA for the general audit work.
- 4.2 To delegate to the Section 151 officer the authority to negotiate and enter into a contract with the preferred supplier for the grant certification work, for the same term as the contract awarded through PSAA.

#### **5. Background Papers**

The Local Audit and Accountability Act (2014)  
DWP HB Circular S1/2017 HB Subsidy Claims 18/19



## AUDIT COMMITTEE WORK PROGRAMME 2017/2018

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

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31 July 2017	Statement of Accounts		L Gore	To approve the Statement of Accounts 2016/2017
31 July 2017	External ISA 260 Report		L Gore	To note the comments of the External Auditor.
31 July 2017	Annual Governance Statement		V Dunmall	To approve the Annual Governance Statement 2017.
31 July 2017	External Auditor appointment for Grant Certification work.		K Woodward	
4 September 2017	Presentation on IT back-up systems		R Godfrey	At their meeting on 30 May 2017, the Committee resolved that the ICT Manager be invited to attend a meeting to give a presentation on the back-up systems operated by the Council.
4 September 2017	Monitoring Officer Report 2016/2017	Annual	E Duncan	To receive the Annual Monitoring Officer Report.
4 September 2017	Update – Internal Audit Terms of Reference		K Woodward	To receive an update report
4 September 2017	Treasury Outturn Report		T Cowper	
27 November 2017	Business Continuity	Annual Update	D Robson	To receive an annual update report.
27 November 2017	Internal Audit Half Year Progress Report	Monitoring	K Woodward	To receive the half year progress report.



27 November 2017	Corporate Risk Register Monitoring Report	Monitoring	B Box	To note the report which presents the changes to the Risk Register since the last report.
27 November 2017	Mid Year Treasury report	Mid Year	T Cowper	
12 February 2018	Strategic Internal Audit Plan		K Woodward	To provide the Committee with the opportunity to review the proposed Strategic Audit Plan 2017 - 2022