

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

AUDIT AND RISK COMMITTEE

**Minutes from the Meeting of the Audit and Risk Committee held on Monday,
7th September, 2015 at 5.30 pm in the Committee Suite, King's Court,
Chapel Street, King's Lynn**

PRESENT: H Humphrey (Chairman)
Councillors L Bambridge, Mrs C Bower, I Devereux, I Gourlay, P Hodson,
G Middleton, A Morrison and D Whitby (substitute)

Portfolio Holders

Councillor N Daubney

Officers:

Becky Box

Toby Cowper, Group Accountant

Emma Duncan, Monitoring Officer and Legal Services Manager

Lorraine Gore, Assistant Director

Ray Harding, Chief Executive

For AR44 Training/Briefing Statement of Accounts 2014/2015:

Councillor R Bird (and remained in the meeting)

AR39 **APPOINTMENT OF VICE-CHAIRMAN**

RESOLVED: Councillor L Bambridge be appointed as Vice-Chairman
for the meeting.

AR40 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors B Anota, R Blunt
(substitute L Bambridge), J Collop, G Hipperson (substitute C Bower),
D Tyler and G Wareham (substitute D Whitby).

AR41 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

AR42 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

AR43 **CHAIRMAN'S CORRESPONDENCE (IF ANY)**

There was none.

AR44 **BRIEFING/TRAINING SESSION ON CLOSING OF ACCOUNTS, ETC**

All Members were invited to attend for this item.

The Group Accountant gave a Powerpoint presentation on the Statement of Accounts 2014/2015, which included the following:

- Statement of Accounts – why/when.
- Overview of Statement of Accounts 2014/2015.
- Why – statutory requirement.
- When – 31 March Financial Year, End, 30 June Draft Accounts published for public inspection, 30 September external audit complete, final accounts approved by full Council and published.
- Statement of Responsibilities.
- Core Financial Statements.
- Movement in Reserves.
- Cash flow Statement.
- Disclosure Notes.
- Collection Fund.
- Accounting Policies.
- Group Accounts.
- Audit Reports.

AR45 **CABINET REPORT: ACCOUNTS AND ISA 2014/2015**

The Group Accountant presented the report which introduced the Statement of Accounts (SOA) 2014/2015 – essentially the Statement was the final accounts set out in a format which included the Council's balance sheet and associated notes. The Committee was informed that the report also considered the report from the Auditor on the Audit of the Accounts 2014/2015 – the International Auditing Standard (ISA 260).

Councillor Devereux referred to the pension liability and recommended that it be recorded in the Corporate Risk Register as being a significant risk. In response, the Chairman, Councillor Humphrey explained that the pension fund was evaluated every three years and steps were taken to address the liability.

Mr R Murray, Ernst and Young presented the ISA 260 report and advised that Ernst and Young would issue an unqualified opinion on the financial statements and that the audit results demonstrated that the council had prepared its financial statements adequately.

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

Page 10 – Progress of Audit

The following areas of Ernst and Young work programme remained to be completed:

- Verification that the agreed audit amendments had been made to the final version statement of accounts. **Mr Murray advised that the amendments had been made and Ernst and Young had confirmed acceptance of the amendments.**
- Response to group instructions and conclusion on agreed procedures from AML's auditors. **Response yet to be received within the next week or so.**
- Receipt of a Letter of Representation. **It was noted that it was expected that this would be reported to Cabinet on 9 September 2015 and Council on 24 September 2015.**

Page 18 – Independence and Audit Fees

Mr Murray outlined the three areas relating to the fees as set out below:

- The actual fee was yet to be confirmed, but was likely to be different from the scale fee due to the introduction of the group in 2014/15 and the additional procedures that Ernst and Young had needed to undertake to gain assurance over the group financial statements. Ernst and Young would agree any proposed variation with management and this would also need to be approved by Public Sector Audit Appointments. It was reported that this element of the audit would be on a recurring basis each year.
- Ernst and yet were yet to complete work on the certification of claims and returns but the actual fee was likely to be in line with the agreed fee.
- Ernst and Young had not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

The Chairman, Councillor Humphrey invited the Committee to ask questions/comment on the ISA 260 report.

There were no questions from the Committee.

The Chairman, Councillor Humphrey referred to the Uncorrected Misstatements and the Audit Committee being asked to consider approving management's rationale as to why those corrections had not been made and, if approved, include this in the Letter of Representation. In response, the Assistant Director explained that this point was raised in the ISA 260 report on an annual basis. The Committee was advised that it related to the sale of a piece of land in Hunstanton subject to a 99 year lease. The Council had received the total amount as a capital receipt, but in accounting terms it should appear in the accounts as £4,500 per year for a period of 99 years.

The Chairman, Councillor Humphrey referred to pages 17 and 18 of the report and commented that he was pleased to learn that audit risks identified had been corrected and the Council had gained audit assurance over those issues.

RESOLVED: That the Committee support the recommendations to Cabinet and Council as set out below, with the following comment:

The Audit Committee approve management's rationale as to why the corrections had not been made and to be included in the Letter of Representation.

It is recommended that Cabinet:

- 1) Approve the authority for any changes required to the Statement of Accounts is delegated to the Assistant Director (designate Section 151 Officer), in consultation with the Leader of the Council, to authorise amendments and if necessary present an updated Statement to Council.
- 2) Notes the comments of the Auditor in the ISA260.

It is recommended that Council:

- 1) Approve the Statement of Accounts for 2014/2015.
- 2) Notes the comments of the Auditor in the ISA260.

AR46

CABINET REPORT: ANNUAL GOVERNANCE STATEMENT

The Personnel Manager reminded the Committee that the preparation and publication of an Annual Governance Statement (AGS) was a statutory requirement. The AGS was a public statement that described and evaluated the Council's overall governance arrangements during a particular financial year.

Members were advised that the report sought Cabinet approval of the Council's AGS covering the 2014/15 year.

The Committee was provided with background information and the purpose of the Statement. It was explained that the Council's Local Code of Corporate Governance set out six core principles of good governance that focussed on the systems and processes for the direction and control of the Council and its activities through which it accounted to, engaged with and led the community. The six core principles were set out in section 1.1 of the report.

The Personnel Services Manager explained that the AGS included 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.

The Statement had been produced in accordance with relevant professional guidance and good practice – the Chartered Institute of Public Finance and Accountancy (CIPFA) published an addendum to

their “Delivering Good Governance in Local Government: Framework” in late 2012. The addendum set out the key areas which should be reflected in the Annual Governance Statement and a comprehensive review had taken place to ensure that those areas were all included in the Council’s AGS for 2014/15.

It was noted that the production of the statement, and the consultation process, had involved input from Management Team, the Audit Manager, the S151 Officer, the Democratic Services Manager, the ICT Manager and the remainder of Extended Management Team. A copy had been provided to the external auditors and feedback had been received from External Audit with some very minor amendments in terms of word changes incorporated in the version of the AGS circulated to Members. In addition, External Audit had highlighted the need to reflect the changes to arrangements for leisure in the 2016 Statement – which had already been identified in the Action Plan for the 2015/16 year.

The Chairman, Councillor Humphrey invited the Committee to comment/ask questions, a summary of which is set out below.

In response to questions from Councillor Devereux regarding the quality of outcomes not being visible and being related to performance measures, the Chairman, Councillor Humphrey drew Members’ attention to section 3.2 of the AGS – Ensuring that organisational values are put into practice and are effective. This section set out the principles, requirements and evidence.

RESOLVED: That the Committee support the recommendation to Cabinet as follows:

It is recommended that the Annual Governance Statement for the 2014/15 year as attached be approved for adoption and that the Leader of the Council and the Chief Executive sign accordingly.

AR47 **CABINET REPORT: REVIEW OF THE EFFECTIVENESS OF THE AUDIT AND RISK COMMITTEE**

The Chairman, Councillor Humphrey informed the Committee that this item had been withdrawn from the Agenda as the Audit and Risk Committee had considered the draft Cabinet report prepared by the Audit Manager at the previous meeting on 21 July which had been agreed.

AR48 **CABINET REPORT: BUSINESS CONTINUITY MANAGEMENT POLICY STATEMENT AND STRATEGY**

In presenting the report the Environmental Health Manager reminded Members that the Committee had received an annual update report at their meeting on 21 July 2015. The revised policy and strategy

documents would be submitted to Cabinet on 9 September 2015, recommending acceptance by full Council on 24 September 2015.

The Environmental Health Manager advised that the Council's Policy Statement on Business Continuity Management was agreed by full Council in September 2013 and had been updated to reflect the changes to the management structure with effect from May 2015.

Members were informed that whilst updating the Policy Statement, the whole document, including details of the Council's strategy and approach had been updated.

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

- Background.
- Policy Statement and Strategy Document Update.
- Next Steps.

The Environmental Health Manager advised that the membership of the Critical Incident Team (CIT) was reviewed. Geoff Hall had taken on the lead following the retirement of David Thomason, Matthew Henry and Neil Gromett had been co-opted onto the CIT.

In response to questions from Councillor Gourlay, the Environmental Health Manager confirmed the membership of the Business Continuity Corporate Officer Group (BC COG) as follows:

Chairman Geoff Hall, Executive Director

V Dunmall, K Kent, D Robson, M Henry, M Johnson, M Chisholm

The membership of the CIT:

Chairman Geoff Hall, Executive Director

D Robson, M Chisholm, N Johnson, D Clack. Co-opted Members: M Henry, N Gromett.

It was noted that appropriate officers would be called in dependent on the nature of any incident which occurred.

Councillor Devereux referred to a question asked at the previous meeting on what the day to day impact would be on the Borough Council if the facility to carry out its online banking activities was not available. He asked what provision would be made regarding communications updates with external organisations.

The Environmental Manager reminded the Committee of the answer given at the last meeting. The Assistant Director added that when the

Council had undertaken the bank tendering exercise, the criteria had stated that the relevant banking organisation was required to have its own business continuity arrangements in place. If, however, the ICT systems went down there were a number of other ways the Borough Council could make payments and gave examples of officers within the Council who had corporate credit cards. There were also off site arrangements which would allow payment by cheque or alternative methods.

In response to comments and questions from Councillor Devereux on Member involvement, the Environmental Health Manager outlined both the business continuity and emergency planning aspects and advised that Members would be kept updated on a regular basis. The Leader, Councillor Daubney advised that regular bulletins would be available and gave an assurance that Members would be kept updated.

The Environmental Health Manager stated that if Members wished to receive any further training then specific sessions could be scheduled accordingly.

In response to questions from the Chairman, Councillor Humphrey on the next steps and planning for and running training exercise Metis 15, the Environmental Health Manager explained that during last year training had been available to all staff. On previous occasions an exercise had been undertaken involving senior management and the Bronze Level Plans. The role of the Business Continuity Corporate Officer group was to identify any areas which had not recently been test to see if they were any issues which required addressing and to produce a report.

Following comments from Councillor Gourlay, the Environmental Health Manager explained that business continuity and emergency planning were two separate issues and provided examples of both.

RESOLVED: That the Committee support the recommendations to Cabinet as follows:

- 1) Cabinet accept the new version of the Business Continuity Policy Statement and Strategy, attached, and that they recommend full acceptance by full Council.
- 2) Delegated authority be granted to the Chief Executive, in consultation with the Leader, as Portfolio Holder for Business Continuity, to make further minor changes if deemed necessary.

AR49

MONITORING OFFICER ANNUAL REPORT 2014/2015

The Monitoring Officer presented the Annual Report which summarised the more important matters arising from the Monitoring Officer's work for the Borough Council from 1 April 2014 to 31 March 2015 and commented on other current issues.

The Monitoring Officer provided Members with an overview of the work she had undertaken from 1 April 2014 to 31 March 2015 as set out in section 2 of the report.

The Committee were advised of the key issues for 2014/2015 as set out below:

- Training for new Members on the Code of Conduct following the elections in May.
- Update of the Constitution including planning protocol.
- Revision of the scrutiny function.
- Compilation of the Registers of Interest following the election.

In conclusion, Members were informed that the systems of internal control administered by the Monitoring Officer including the Code of Conduct and the Council's Constitution, were adequate and effective during the year between April 2014 and March 2015 for the purposes of the latest regulations.

Councillor Morrison referred to page 57 of the report (e) Investigate misconduct in respect of District, Parish and Town Councillors under the Code of Conduct and suggested that the wording be amended to read "Investigate **alleged** misconduct", etc. The Monitoring Officer undertook to amend the wording suggested by Councillor Morrison.

In response to questions from Councillor Gourlay regarding appointments made by Council being recorded on the Register of Interests form, the Monitoring Officer explained that the Council encouraged Members to record such appointments in order to be as open and transparent as possible.

In response to further questions from Councillor Gourlay regarding the Officer Hospitality Register, the Monitoring Officer explained that the Officer register was not published on the Council's website but that the register was held in Democratic Services and could be inspected by Councillors or members of the public.

Councillor Devereux asked if the Council had an Ethics Policy. In response, the Monitoring Officer explained that the Council had an Employees Code of Conduct which formed part of the corporate governance framework and which also reflected the Members Code of Conduct.

The Chairman, Councillor Humphrey referred to page 57 (I) Breaches of the Employee Code of Conduct and that there had been one formal allegation of breaches under the Employee Code of Conduct. In response, the Monitoring Officer explained that there was a range of seriousness associated with alleged breaches and advised that in relation to the one case report she could add appropriate details of the sanction imposed without identifying the individual concerns.

AR50 **WORK PROGRAMME 2015/2016 AND FOWARD DECISIONS LIST**

The Committee noted the work programme.

The meeting closed at 7:11 pm