

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

**AUDIT AND RISK COMMITTEE**

**Minutes from the Meeting of the Audit and Risk Committee held on  
Tuesday, 24th November, 2015 at 5.30 pm in the Committee Suite, King's  
Court, Chapel Street, King's Lynn**

**PRESENT:** H Humphrey (Chairman)  
Councillors J Collop, P Colvin, I Devereux, G Hipperson (Vice-Chairman),  
P Hodson, G Middleton, A Morrison and D Tyler

In attendance for AR71: Councillors L Bambridge and S Fraser

**Officers:**

Lorraine Gore, Assistant Director  
Ray Harding, Chief Executive

AR64 **APOLOGIES**

Apologies for absence were received from Councillors N Daubney, B Aota, I Gourlay and G Wareham.

AR65 **MINUTES**

The minutes of the Audit and Risk Committee meeting held on 27 October 2015 were agreed as a correct record and signed by the Chairman.

AR66 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

AR67 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

AR68 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

AR69 **CHAIRMAN'S CORRESPONDENCE (IF ANY)**

There was no Chairman's correspondence.

AR70 **MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS COMMITTEE RECOMMENDATIONS/REQUESTS**

The Committee noted the responses made by Cabinet at its meeting held on 3 November 2015 to the recommendations made by the Audit and Risk Committee at its meeting held on 27 October 2015 in respect of the following item:

- Mid Year Treasury Report.

AR71 **BRIEFING/TRAINING SESSION - HOW AN AUDIT IS UNDERTAKEN**

Members received a Powerpoint presentation from the Auditor on how an audit was undertaken within the Borough Council. A copy of which would be circulated to Councillors.

Councillor Devereux asked what proportion of the Council's activities did Internal Audit cover and which audits were undertaken by an external organisation? In response, the Auditor explained that specialist audits relating to Health and Safety were undertaken by an External Auditor, however, the Internal Audit Team would receive a copy of the report. Each year the Audit Manager prepared an Audit Plan which would provide a good coverage of the activities which the Council operated. The Committee was advised that the Council had changed the approach to undertaking core audits and had moved towards a key control system which was reviewed on a quarterly basis to allow the Audit Team to be more efficient and free up some resource.

Councillor Chenery asked if when interviewing staff as part of an audit, could the Chairman and Vice-Chairman of the Audit and Risk Committee be involved. In response, the Auditor explained that it would be unlikely to invite Members to be part of the process. The Assistant Director advised that the Internal Audit Team met with officers to provide information on the process and gain an understanding of how the service operated. The Committee was reminded that the Audit Manager presented a summary of reports to Members and all reports were available to view on Insite and any Member could ask questions.

The Chairman, Councillor Humphrey commented that when Ofsted Inspection took place the Audit Committee looked at the leadership and this could potentially be a role for the Borough Council's Audit and Risk Committee to look at leadership when in house audits were conducted.

The Auditor advised that the Internal Audit Team took the political dimension into account when carrying out audits.

In response to questions, the Auditor explained that the audit reports were not published on the Council's website.

Following questions from Councillor Devereux regarding follow up audits and a Central Register to record actions, the Auditor explained that the following up audits and actions were not recorded in a single register, however, each year's audit plan was held in a central file.

In response to further questions from Councillor Devereux on the standards of internal and external audits, the Auditor explained that he did not have this information to hand but would forward details to the Committee. The Assistant Director added that actions/recommendations relating to health and safety audits were followed up by the Council's Safety and Welfare Adviser and presented to the Council's Management Team. Information could be provided to the Committee on the Council's procedure relating to follow up actions/recommendations.

Councillor Collop commented that the Council had a small Internal Audit team and asked how service areas were prioritised if an audit had not been conducted for a longer period of time. In response, the Auditor explained that the Audit Manager had broadened the coverage of audits to be undertaken each year and would take into account those areas where an audit had not been carried out for a number of years.

In response to a question from the Chairman, Councillor Humphrey, the Auditor explained that in principle internal audit reports were forwarded to the Council's External Auditors, Ernst and Young. R Murray from Ernst and Young commented that the External Auditors worked to specific audit standards which did not directly rely on Internal Audit, but that Ernst & Young did rely on the Council's Internal Audit Team to inform them of the risk assessments if there was a concern, which would in turn influence the work undertaken by the External Auditors.

Councillor Collop asked if an unexpected issue cropped up would the Internal Audit Team had sufficient resource to deal with it. In response, the Auditor explained that if an unexpected issue arose the Audit Manager would reassess the Audit Plan in order to deal with it. The Audit Manager also informed the Committee that if a particular request was received for an audit to be carried out it would be considered and if appropriate added to the Audit Plan.

The Chairman, Councillor Humphrey thanked the Auditor for an informative presentation.

AR72 **ANNUAL AUDIT LETTER FOR YEAR ENDED 31 MARCH 2015**

Mr R Murray, Ernst and Young presented the Annual Audit Letter for the year ended 31 March 2015.

Mr R Murray explained that the purpose of the Annual Audit Letter was to communicate the key issues arising from the External Auditor's work to the Members and external stakeholders, including members of the public.

It was explained that matters reported in the Annual Audit Letter were those Ernst and Young considered most significant for the Borough Council of King's Lynn and West Norfolk.

Members' attention was drawn to the following sections of the Annual Audit Letter:

- Executive Summary – on 29 September 2015, unqualified audit opinion on Council's financial statements/unqualified value for money issued.
- Key Findings.
- Control Themes and Observations.
- Looking Ahead.
- Fees – the overall additional fee for 2014/15 was £4,800, the majority of this additional fee related to the additional work required regarding the preparation of group accounts for the first time.

Councillor Collop referred to section 2.2 value for money conclusion – the financial plan currently placed reliance on £3.3 million of funding from New Homes Bonus in 2016/17 and 2017/18 and asked the importance of including this income to fund the base budget. In response, Mr Murray explained that a number of Councils were concerned about the future of the New Homes Bonus and the External Auditors had raised this point as any reduction in Government funding in future years, together with an increased use of reserves represented a risk to the achievement of the Council's future budgets.

The Assistant Director commented that the Comprehensive Spending Review announcement was expected on 25 November 2015 and that currently the New Homes Bonus income had been included in the Council's budget. With regard to use of reserves, the Council had a planned approach in place to utilise the General Fund Reserve and the Cost Reduction Programme (which had been implemented in 2009 and had achieved significant savings).

The Chairman, Councillor Humphrey reminded the Committee that the Council had put a three year programme in place to address the budget gap and that the Council has also undertaken a cost reduction exercise to achieve savings.

In response to questions from the Chairman, Councillor Humphrey on Highways Network Asset (formerly Transport Assets), the Assistant Director explained that this was a change from the existing requirement to account for those assets under Depreciated Historic Cost which would be effective from 1 April 2016. This would present a bigger challenge for Norfolk County Council. However, the Borough

Council did have a number of highway assets, for example, bridges at various locations, etc and would need to be re-evaluated.

Councillor Collop referred to the earlier deadlines for production and audit of the financial statements 2017/18 and asked if this would present a resource issue for the Council. In response, the Assistant Director explained that a key change in the regulations was that from the 2017/18 financial year the timetable for the preparation and approval of accounts would be brought forward as set out below:

- Current Arrangement: Close down of accounts 30 June, audit of accounts 30 September.
- New Arrangement: close down of accounts 31 May, audit of accounts 31 July.

The Council was taking a planned approach and for the Financial Year 2015/16 the timetable had been scheduled for close down of accounts on 31 May 2016 and it was therefore anticipated that Ernst and Young would start the audit in early July 2016.

In response to questions from Councillor Devereux on the group accounts for Alive Management and Alive Leisure, the Assistant Director explained that Alive Management accounts would be prepared in line with the Borough Council as it was a requirement to publish them as group accounts. However, with regard to Alive Leisure it was noted that the deadlines were different, but initial discussions had taken place to try and align them with the Borough Council's deadlines.

**RESOLVED:** The Annual Audit Letter for the year ended 31 March 2015 be noted.

AR73 **COMMITTEE WORK PROGRAMME 2015/2016 AND FORWARD DECISIONS LIST**

The Committee noted the Work Programme.

**The meeting closed at 6.22 pm**