

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



Audit Committee

Agenda

Monday, 11th March, 2019
at 5.00 pm

in the

Council Chamber
Town Hall
Saturday Market Place
King's Lynn



King's Court, Chapel Street, King's Lynn, Norfolk, PE30 1EX
Telephone: 01553 616200
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1 March 2019

Dear Member

Audit Committee

You are invited to attend a meeting of the above-mentioned Panel which will be held on **Monday, 11th March, 2019 at 5.00 pm** in the **Council Chamber, 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 - 10)

To approve the minutes from the Audit and Risk Committee held on 28 January 2019.

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

7. Annual Audit Plan for year ended 31 March 2019 - Ernst and Young, External Auditors (Pages 11 - 49)

8. Certification of Claims Annual Report 2017/2018 (Pages 50 - 59)

9. Draft Code of Corporate Governance (Pages 60 - 77)

10. Strategic Internal Audit Plan 2019/20124

11. Exclusion of Press and Public

To consider passing the following resolution:

That under Section 100(A)(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 1, 2, 3 of Part 1 of Schedule 12A to the Act.

12. Exempt Report: Risk Based Verification Policy Update for 2019/2020 (Pages 78 - 93)

13. Exempt Report: KLIC Review Report (Pages 94 - 118)

RETURN TO OPEN SESSION

14. Committee Work Programme 2019/2020 (Pages 119 - 122)

To note the Committee's Work Programme for 2019/2020

15. Date of Next Meeting

To note that the date of the next meeting of the Audit Committee will take

place on 3 June 2019 at 5.00 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn.

To:

Audit Committee: Mrs J Collingham, J Collop, S Dark, P Hodson (Observer), C Joyce, C Manning, Mrs K Mellish (Observer), G Middleton (Chairman), Mrs E Nockolds (Observer), D Pope, T Smith, Mrs S Squire and T Tilbrook (Deputy Chair)

Portfolio Holders:

Councillor B Long, Leader
Councillor A Beales, Corporate Projects and Assets
Councillor A Lawrence, Housing and Community
Councillor P Hodson, Performance

Management Team Representative:

L Gore

Officers:

G Greaves, Senior Policy and Performance Office
M Henry, Property Services Manager
J Stanton, Revenues and Benefits Manager
K Woodward, Shared Internal Audit Manager

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

AUDIT COMMITTEE

Minutes from the Meeting of the Audit Committee held on Monday, 28th January, 2019 at 5.49 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ

PRESENT: Councillor G Middleton (Chairman)
Councillors S Dark, Mrs S Fraser (substitute), P Kunes, D Pope
T Smith and T Tilbrook (Vice-Chairman)

Portfolio Holder:
Councillor B Long, Leader

Under Standing Order 34:
Councillor C Joyce

Officers:
Lorraine Gore, Executive Director/Deputy Chief Executive
Ged Greaves, Senior Policy and Performance Officer
Kathy Woodward, Internal Audit Manager

A53 **APOLOGIES**

Apologies for absence were received from Councillors Mrs J Collingham and C Manning.

A54 **MINUTES**

The minutes of the Audit Committee held on 12 November 2018 were agreed as a correct record and signed by the Chairman.

Matters Arising

A49 Record Retention and Disposal Policy Review: Page 8, para 2: The Senior Policy and Performance Officer undertook to check the legal requirement on viewing previous and future agendas and minutes being available in hard copy or electronically. Councillor Kunes commented that to date, a response had not been emailed to the Committee.

A48 Mid-Year Review Treasury Report 2018/2019: Page 5, Norfolk and Waveney Enterprise Services Loan which was due to be paid back to the Council on 30 November 2018. Councillor Pope asked if on 12 November 2018, the Council was aware that NWES would not be in a position to repay the loan on 30 November 2018. In response, the Deputy Chief Executive explained that discussions had been held with NWES and there was no indication that the loan would not be repaid

on the due date, 30 November 2018. The Deputy Chief Executive added that if NWES defaulted on the repaying of the loan, under the Partnership Agreement the building would revert back to the Borough Council.

A47 Corporate Risk Register Monitoring Report: Page 6, para 4, it would be appropriate for the Audit Committee to monitor the progress of major housing schemes. Councillor Tilbrook asked how the Committee should monitor progress. In response, the Deputy Chief Executive advised that the Committee would need to decide on the frequency of the monitoring to be undertaken and commented this could be on a quarterly basis. The Committee was advised that an update was included in the capital programme report to Cabinet on 5 February and would also be updated in the outturn report in June 2019. The Chairman, Councillor Middleton suggested that a discussion would be held at the next sifting meeting as to how the Committee could monitor progress which was agreed by those present.

A55 **DECLARATIONS OF INTEREST**

Councillor Kunes declared an interest as a freemason.

A56 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

A57 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

Councillor C Joyce for the Risk Management Policy and Strategy Review – Final Report and Record Retention and Disposal Policy review – Final Report.

A58 **CHAIRMAN'S CORRESPONDENCE**

The Chairman informed the Committee that a number of questions had been asked in full Council regarding the ongoing situation in relation to the NWES loan. Members were advised that the NWES/KLIC Review Report would be presented to the Audit Committee on 11 March 2019

A59 **RISK MANAGEMENT POLICY AND STRATEGY REVIEW - FINAL REPORT**

The Senior Policy and Performance Officer presented the final version of the report prior to it being taken forward to Cabinet in March 2019.

Members were reminded that a draft version of the report was presented to the Committee in November 2018 and drew Members'

attention to section 3.2 of the report which set out the two amendments by the Committee at their previous meeting.

Under Standing Order 34, Councillor Joyce referred to paragraph 7.5.1 (page 32) – Section 151 Officer and asked for clarification on “The Officer must be informed of any potential financial risk arising from project or service activities as it emerges.” He added that the word emerges was broad and that the wording should be tightened up and asked what was the trigger point for a Service Manager to inform the S151 officer. In response, the Senior Policy and Performance Officer explained that the policy was intended to be flexible and that risk was a dynamic concept with all projects. He further commented that at the outset it was difficult to predict how the project would pan out and that the onus was on the Project Manager/Service Manager to review progress and to build in a mechanism to mitigate any issues that might arise. The Project Manager/Service Manager was responsible for informing the S151 Officer of any potential financial risk.

Councillor Joyce asked if there was a paper trail to the S151 officer in that she had been informed of the risk in accordance with the audit requirements. In response, the Senior Policy and Performance Officer advised that discussions and internal meetings were held in relation to projects, capital investment, etc and to review documents such as project initiation documents, businesses cases and progress reports. Notes were taken of the internal meetings and any specific issues highlighted and actions arising were included in the notes.

The Deputy Chief Executive suggested that the word “financial” be inserted before the word security on the third line of paragraph 7.5.1 and added that the Council’s Contract Standing and Financial Regulations set out the requirements before any budget was allocated and approved. The Committee was advised that in relation to the Council’s Capital Programme, Cabinet approved the budget. It was noted that the Council had a Project Board for Major Projects in place which monitored major projects and minutes were taken. If a Service Manager raised a financial concern it would be discussed at Management Team and that minutes were taken and actions recorded.

In relation to the NWES loan, Councillor Pope commented that in his opinion the Borough Council had carried all the risk. He referred to the Cabinet meeting on 14 September 2016 when a further loan was requested to mitigate a cash flow shortfall and outlined the questions he raised at that meeting on the proposed arrangements for the repayment of the loan and the terms of the proposed loan.

In response to questions raised by Councillor Pope regarding the NWES/KLIC internal audit review, the Leader, Councillor Long commented that the example from Councillor Pope illustrated why the audit review was being undertaken which would place the Council in a more robust position to monitor projects in the future.

The Deputy Chief Executive added that the Internal audit report would be presented to the Audit Committee on 11 March 2019, which would allow Members to debate the content of the report and make any appropriate recommendations.

Councillor Dark referred to the Draft Risk Management Strategy, page 24, 1.4 that the strategy would be reviewed every 3 years to ensure it remained relevant to the needs of the Council and the next review date being March 2022 and commented that if there was a major legislative change could the review be undertaken at an earlier date. The Committee supported the comments made by Councillor Dark and the Senior Policy and Performance Officer undertook to include the recommendation in the report to Cabinet.

Following on from the discussion on risk mitigation measures, the Deputy Chief Executive explained that all projects had been included in the Cabinet report of 5 February 2019. The Cabinet report had a specific paragraph relating to risk setting out how any risk could be managed and mitigation if required.

Councillor Tilbrook commented that the Council could take risk and added that with regard to KLIC/NWES the Borough Council's reputation had been damaged. Councillor Tilbrook added that the Council needed to put robust measures in place to address risk in the most likely areas such as planning and contracts. He referred to the Councillors declaration of interest form and commented that he would like to see membership of masonic lodges being included in the future as the Borough Council should be aware of such memberships. In response, the Leader, Councillor Long commented that the Members declaration of interest form currently did not stipulate membership of a masonic lodge but did ask for financial interests up to a certain level.

RESOLVED: The Panel approved the final version of the report prior to being presented to Cabinet in March 2019, subject to the following recommendation:

"This policy/strategy will be reviewed every three years, or earlier in the light of new guidance, to ensure it remains relevant to the needs of the council. The next review will take place no later than March 2022.

A60

RECORD RETENTION AND DISPOSAL POLICY REVIEW - FINAL REPORT

The Senior Policy and Performance Officer presented the final version of the report prior to it being taken forward to Cabinet in March 2019.

Members were reminded that a draft version of the report was presented to the Committee in November 2018. It was noted that there were some modifications to the retention schedule at Appendix B.

Councillor Dark referred to page 61, 1.31 retention of promotional or campaign events being kept for a period of 3 years. He commented that this seemed to be a short timescale, bearing in mind the Administration was for 4 years and that Members may wish to look back on decisions/information.

Councillor Kunes concurred with the comments made by Councillor Dark.

The Senior Policy and Performance Officer undertook to feed the above comment back to the relevant Service Manager.

Under Standing Order 34, Councillor Joyce addressed the Committee. He referred to page 47, paragraph 4.1 – Elected members are responsible for overseeing effective management by the officers of the council and promoting adherence to this policy and the support framework, etc. Councillor Joyce asked when were the Committee Clerk's notes destroyed, before or after the minutes were agreed at the next meeting. Councillor Joyce referred to a Freedom of Information request when the response had been that the Committee Clerk's notes had been destroyed prior to the approval of the minutes at the next meeting..

The Committee debated the above issue. The Chairman, Councillor Middleton proposed that legal advice be sought from Eastlaw on the legal requirement for destruction of Committee Clerk's notes and who approved the final minutes.

Councillor Smith referred to page 63, corporate complaints and ?? in the numbers box. The Senior Policy and Performance Officer advised that it was a living document which would be populated in due course. The Deputy Chief Executive suggested that the ?? be amended to read "under review."

RESOLVED: 1) The Panel approved the final version of the report prior to being presented to Cabinet in March 2019.

2) Legal advice be sought from Eastlaw on the legal requirement for the destruction of Committee Clerk's notes and approval of the minutes.

A61

UPDATE ON PROGRESS WITH THE ANNUAL GOVERNANCE STATEMENT COVERING THE 2018/2019 YEAR

The Senior Policy and Performance Officer reminded Members that at the Audit Committee meeting in July 2018 Members approved the Council's Annual Governance Statement covering and reflecting back on the 2017/18 financial year.

It was explained that during 2015/16 it had been agreed that the committee should receive an update on the progress being made with the action plan arising from the Annual Governance Statement.

The report provided that update in relation to the action plan for 2018/19.

There were no questions or comments from the Committee.

RESOLVED: The Committee noted the progress report with the Council's Annual Governance Statement arrangements.

A62 **COMMITTEE WORK PROGRAMME 2018/2019**

The Chairman, Councillor Middleton advised the Committee that the Financial Services Manager who would deliver the Treasury management training would be leaving the authority before the next meeting and therefore proposed that the training be deferred, which was agreed by the Committee.

The Chairman outlined the amendments to the work programme.

The monitoring of the Major Housing scheme would be discussed at the next sifting meeting.

A63 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee would be held on 11 March 2019 at 5 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn.

The meeting closed at 6.55 pm



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

Audit Plan

Year ended 31 March 2019

12 February 2019



Audit Committee
Borough Council of King's Lynn & West Norfolk
Kings Court, Chapel Street
King's Lynn
Norfolk
PE30 1EX

12 February 2019

Dear Audit Committee Members

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you at the Audit Committee meeting on 11 March 2019, as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

MARK HODGSON

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). 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 and further guidance (updated April 2018)" 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 and management of Borough Council of King's Lynn & West Norfolk in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Borough Council of King's Lynn & 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 and management of Borough Council of King's Lynn & West Norfolk for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2018/19 audit strategy



Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 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 would otherwise appear to be operating effectively.
Incorrect capitalisation of revenue expenditure	Fraud risk	No change in risk or focus, but shown separately for clarity	Linking to the risk above we have considered the capitalisation of revenue expenditure on Property, Plant and Equipment (PPE) as a specific fraud risk, given the extent of the Council's capital programme.
Valuation of Land and Buildings	Inherent risk	No change in risk or focus	The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are estimates which are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.
Pension Liability Valuation	Inherent risk	No change in risk or focus	The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council. The Council's pension fund liability (£55.198 million as at 31 March 2018) is a material estimated balance and the Code requires that the liability be disclosed on the Council's balance sheet.

Overview of our 2018/19 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

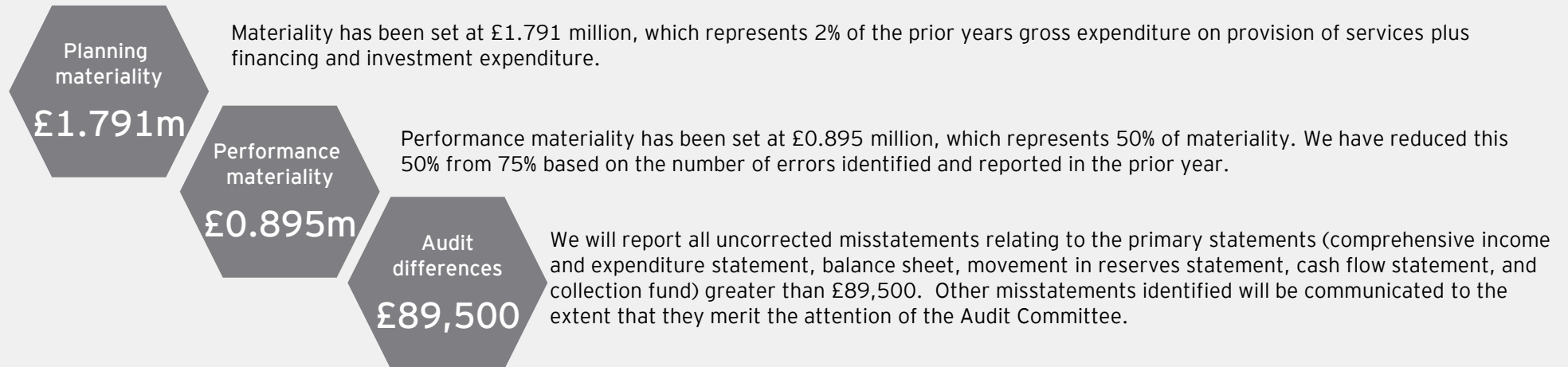
Audit risks and areas of focus			
Risk / area of focus	Risk identified	Change from PY	Details
Group Consolidation	Inherent Risk	No change in risk or focus	<p>The Council prepares group accounts to consolidate Alive Management Limited, which provides operational day to day management services for four sports facilities and a theatre.</p> <p>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. We need to gain assurance from the component auditor of Alive Management Limited.</p>
16 Finance Team Capacity	Inherent risk	New area of focus	<p>We are aware that the Financial Services Manager, who has been the key contact for the audit team in previous years, will be leaving the Council in March 2019 prior to the preparation of the 2018/19 Statement of Accounts.</p> <p>There were a large number of audit adjustments in the previous financial period. There is a risk that this level of adjustments may be repeated due to the inexperience of the finance team.</p>

In addition to the risks outlined above we have identified an area of audit focus.

Area of focus	Change from PY	Details
Implementation of new accounting standards	New area of focus	The 2018/19 CIPFA Code of practice on local authority accounting confirms that the Local Government will implement International Financial Reporting Standard ("IFRS") 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. The Council needs to assess and evaluate the implications of these new standards on the 2018/19 accounts.

Overview of our 2018/19 audit strategy

Materiality



Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of the Borough Council of King's Lynn & West Norfolk give a true and fair view of the financial position as at 31 March 2019 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.



02

Audit risks



Our response to significant risks

Misstatements due to fraud or error *

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 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.

We identify and respond to this fraud risk on every audit engagement.

Linking to our risk of fraud we have considered the capitalisation of revenue expenditure on Property, Plant and Equipment (see below).

What will we do?

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

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

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We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Audit risks

Our response to significant risks (continued)

Misstatements due to fraud or error - the incorrect capitalisation of revenue expenditure *

Financial statement impact

We have identified a risk of expenditure misstatements due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to capitalisation of revenue expenditure and could result in a misstatement of cost of services reported in the Comprehensive Income and Expenditure statement.

What is the risk?

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 (see above).

As the Council is more focused on its financial position over medium term, we have considered the risk of management override to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment (PPE) given the extent of the Council's capital programme.

What will we do?

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

- ▶ Reviewing the appropriateness of revenue and expenditure recognition accounting policies and testing that they have been applied correctly during our detailed testing;
- ▶ Performing sample testing on additions to PPE to ensure that they have been correctly classified as capital and included at the correct value to identify any revenue items that have been inappropriately capitalised;
- ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Audit risks

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Valuation of Land and Buildings

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

The Council will be using its internal expert for 2017/18, to value the Council's asset base, who will apply a number of complex assumptions and assess the Council's assets to identify whether there is any indication of impairment and changes to their useful life.

As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated.

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

What will we do?

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

- ▶ Consider the work performed by the Council's internal valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample testing key asset information used by the internal valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for Investment Properties. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- ▶ Consider circumstances that require the use of EY valuation specialists to review any material specialist assets and the underlying assumptions used;
- ▶ Consider changes to useful economic lives as a result of the most recent valuation; and
- ▶ Test accounting entries have been correctly processed in the financial statements.

Audit risks

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Pension Liability Valuation

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Norfolk County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2018 this totalled £49.433 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf.

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

What will we do?

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

- ▶ Liaise with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Borough Council of King's Lynn & West Norfolk;
- ▶ Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PwC - Consulting Actuaries commissioned by Public Sector Auditor Appointments for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Audit risks

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

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 also has a further interest in West Norfolk Housing and needs to update the Group boundary consideration in light of any transactions that this entity has entered into during 2018/19.

The Council needs to ensure that the consolidation of any subsidiaries within the Group Boundary is undertaken in line with the relevant accounting standards and in line with the code of practice.

Finance Team Capacity

Over recent periods the Council has lost experienced members of the finance team. In some instances these employees have not been replaced.

We are aware that the Financial Services Manager, who has been the key contact for the audit team in previous years, will be leaving the Council in March 2019 prior to the preparation of the 2018/19 Statement of Accounts.

There were a large number of audit adjustments in the previous financial period. There is a risk that this level of adjustments may be repeated due to the inexperience of the finance team.

What will we do?

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

- ▶ Review the group assessment prepared by the Council, ensuring that the accounting framework and accounting policies are aligned to the Borough Council of King's Lynn & West Norfolk Council group;
- ▶ Scope the audit requirements for Alive Management Limited (AML) based on their significance to the group accounts. Liaising with the external auditor of AML and issuing group instructions that detail the required audit procedures they are to undertake in order to provide us with assurance for the opinion we will issue on the group accounts;
- ▶ 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.

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

- ▶ Assess the authority's plans for preparing the 2018/19 statement of accounts;
- ▶ Review the quality of the draft financial statements prepared for the deadline of 31 May 2019;
- ▶ Assess the quality of the general ledger data analytics provided in advance of the audit commencement date; and
- ▶ Assess the quality of the working papers provided for the audit start date on 3 June 2019.

Audit risks

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

New accounting standards

The Code requires the Council to comply with the requirements of two new accounting standards for 2018/19. These standards are:

- **IFRS 9 - Financial Instruments**

This new accounting standard will change:

- ▶ How financial assets are classified and measured;
- ▶ How the impairment of financial assets are calculated; and
- ▶ The disclosure requirements for financial assets.

There are transitional arrangements within the standard; and the 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.

- **IFRS 15 - Revenue from contracts**

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.

The 2018/19 CIPFA Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised.

The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.

What will we do?

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

- ▶ Assess the authority's implementation arrangements that should include an impact assessment paper setting out the application of the new standards, transitional adjustments and planned accounting for 2018/19;
- ▶ Consider the classification and valuation of financial instrument assets;
- ▶ Review new expected credit loss model impairment calculations for assets;
- ▶ Consider application to the authority's revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and
- ▶ Check additional disclosure requirements.



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03

Value for Money Risks





Value for Money

Background

We are required to consider whether Borough Council of King’s Lynn & West Norfolk has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

“In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people”

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.

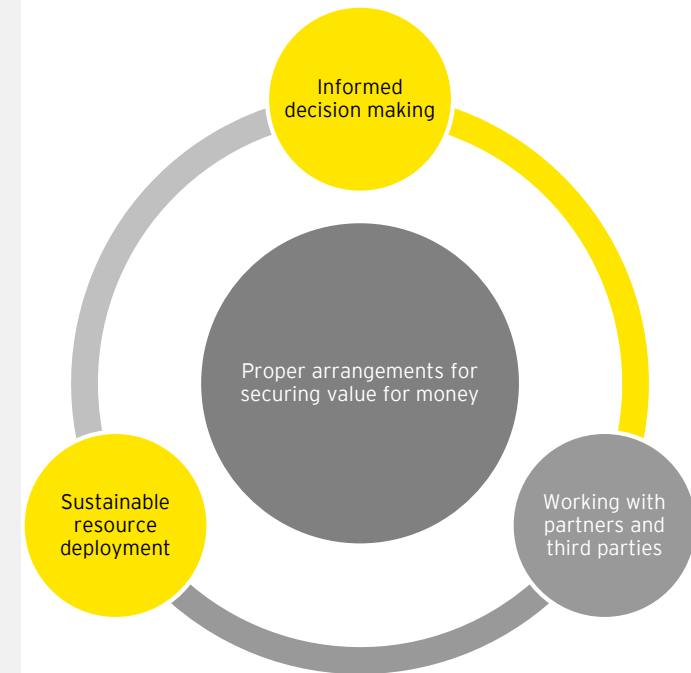
By considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines 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 sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2018/19 this has included consideration of the steps taken by Borough Council of King’s Lynn & West Norfolk to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Authorities will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.





Value for Money Risks

What is the significant value for money risk?

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

What arrangements does the risk affect?

To date the Council has responded well to the financial pressure resulting from the continuing economic downturn.

However, the Council's Medium Term Financial Strategy 2019 to 2023 has identified a total budget shortfall of £7.6 million over the period, as set out below:

- ▶ 2019/20 = £1.6 million
- ▶ 2020/21 = £1.0 million
- ▶ 2021/22 = £2.3 million
- ▶ 2022/23 = £2.7 million

Whilst the Council plans to utilise General Fund reserves to cover the shortfall in the period to 2022, this would reduce the General Fund reserve balance to the minimum level prescribed by the statutory finance officer. This level would then not be sufficient to cover the identified shortfall in 2022/23.

It is clear that the Council is facing a number of financial pressures which may impact on its ability to develop and deliver sustainable financial and service plans for future years.

There is therefore a risk that the Council does not identify savings or increased income to close the funding gaps.

What will we do?

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

- ▶ Assess the adequacy of the Council's budget monitoring process, comparing budget to outturn;
- ▶ Challenge the robustness of key assumptions used in medium term planning;
- ▶ Review the Council's approach to identifying savings schemes and testing the robustness of the delivery programme; and
- ▶ Test the adequacy of Council's calculation on it's use of reserves and assess the remaining General Fund balance.



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04

Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2018/19 has been set at £1.791 million. This represents 2% of the Council's prior year gross expenditure on net cost of services plus financing and investment expenditure and other operating expenditure. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.895 million which represents 50% of planning materiality. We have considered a number of factors such as the number of errors in the prior year and any significant changes when determining the percentage of performance materiality. We have reduced this figure based on the number of errors identified in the prior year.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.

Specific materiality - We have set a lower materiality for Senior Officer's Remuneration, Members' Allowances and Exit Packages disclosures which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.



05 Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.



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06 Audit team



Overview of our 2018/19 audit strategy

Audit team changes

Key changes to our team.

Mark Hodgson
Lead Audit Partner

Dan Cooke
Audit Manager

Nichola Smith
Lead Senior

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Audit team

The engagement team continues to be led by Mark Hodgson as the Lead Audit Partner. Mark has significant experience on local government audits and leads our Government & Public Sector practice across East Anglia. Mark is supported again by Dan Cooke who is in his third year as Audit Manager at the Borough Council of King's Lynn & West Norfolk. Dan is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team. The day-to-day audit team will be led by Nichola Smith who has replaced Sadaf Zahid as the Lead Senior on the audit, and who has significant Local Government experience.

Use of specialists

Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings	Internal valuation team
Pensions disclosure	EY Actuaries, PwC (Consulting Actuary to PSAA) and Hymans Robertson (the Council's actuary)
Fair Value Investment Measurement	Link Asset Services (the Council's Treasury Advisor)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.



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Audit timeline





Audit timeline

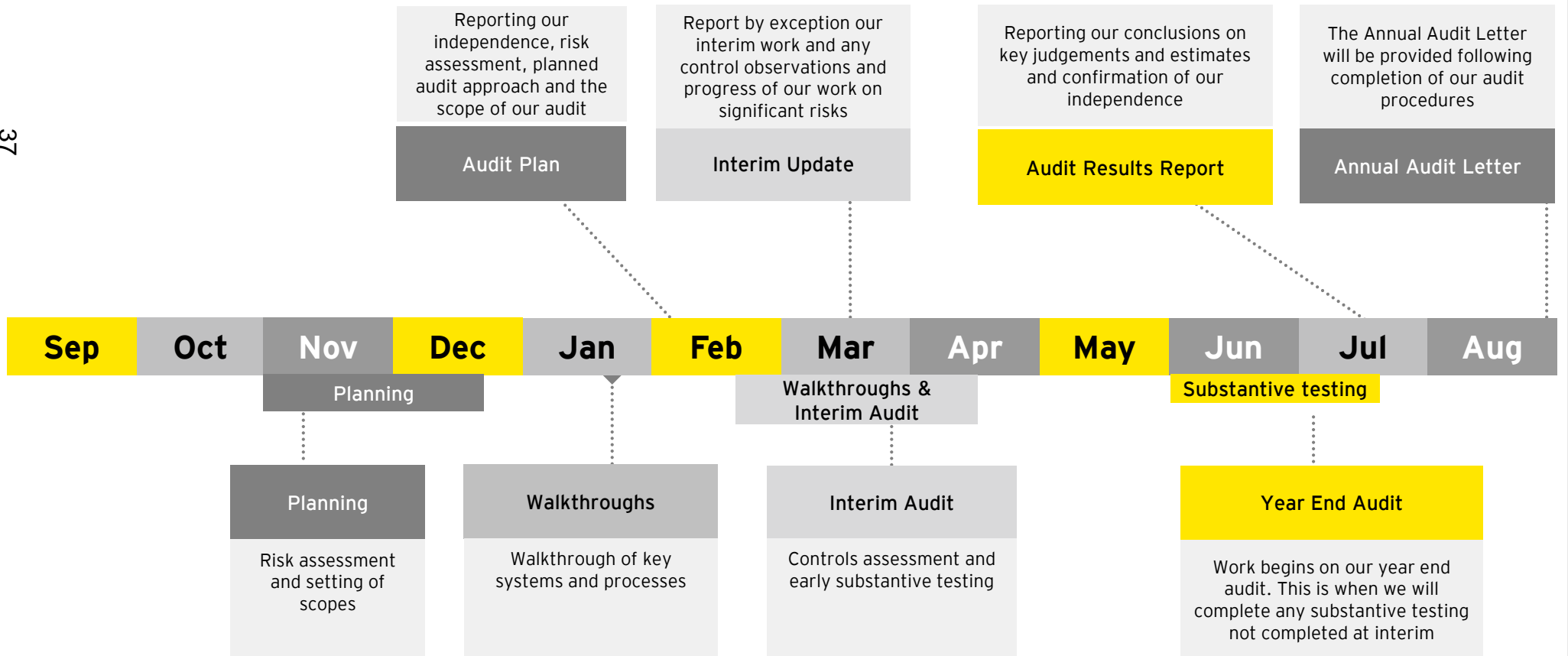
Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2017/18.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

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Independence



Introduction

The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<p>▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us;</p> <p>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</p> <p>▶ The overall assessment of threats and safeguards;</p> <p>▶ Information about the general policies and process within EY to maintain objectivity and independence.</p> <p>▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]</p>	<p>▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed;</p> <p>▶ Details of non-audit services provided and the fees charged in relation thereto;</p> <p>▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us;</p> <p>▶ Written confirmation that all covered persons are independent;</p> <p>▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy;</p> <p>▶ Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and</p> <p>▶ An opportunity to discuss auditor independence issues.</p>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is approximately 36.7%. This is based on the planned fee for the agreed upon procedures work for the Housing Benefits certification work. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.
There are no other threats at the date of this report.

Description of service	Related independence threat	Period provided/duration	Safeguards adopted and reasons considered to be effective
We have been engaged to undertake the audit of the Housing Benefits Subsidy Claim 2018/19. The agreed upon procedures on the certification arrangements are due to start in April. Our current fee level is £14,500 however we will update you should this amount change.	Self review threat - figures included in the return are also included in the 2018/19 financial statements.	Relates to 2018/19 return for the period to 31 March 2019.	We have assessed the related threats to independence and note that although certain figures in the return are included in the financial statements the agreed upon procedures are being performed after the signing of the financial statements for 2018/19. The agreed upon procedures focus on the specific requirements of the certification arrangements and we place limited reliance on this work for the purposes of the financial statements audit. No other threats to independence have been identified.

Other communications

EY Transparency Report 2017

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 1 July 2018 and can be found here:

<https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018>



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Appendices



Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government.

PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code.

	Planned fee 2018/19	Scale fee 2018/19	Final Fee 2017/18
	£'s	£'s	£'s
Total Fee - Code work	42,494 (Note 2)	39,494	58,291 (Note 1)
Total audit fees	42,494	39,494	54,291
Other non-audit services not covered above (Housing Benefits)	14,500 (Note 3)	N/A	18,556
Total other non-audit services	14,500	N/A	18,556
Total fees	56,994	39,494	72,847

All fees exclude VAT

Note 1 - An additional fee of £7,000 has been discussed and agreed with management (Group consolidation - £3,000 and additional audit procedures related to audit findings and amendments - £4,000) but is still subject to approval by the Public Sector Audit Appointments. We will formally report the final fee once the approval process is complete.

Note 2 - Audit Fee - 2018/19 Code work

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. We will also be seeking a further scale fee variation because of our reduced performance materiality level (50% of Planning Materiality) in 2018/19. This is due to the scale and nature of errors found in the 2017/18 audit. As a consequence of these errors, we will need to increase our sample sizes to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality.

Note 3 - From 2018/19, the Council is responsible for appointing their own reporting accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

As your appointed auditor for the financial statements audit, we are pleased that for 2018/19 the Council has appointed us to act as reporting accountants in relation to the housing benefit subsidy claim. There is therefore no scale fee prescribed by PSAA as it is now no longer within their remit.

The planned fee shown, is based on the level of error within the current claim and the work required to certify that. This may change dependent on the level of error within the claim under review.

The agreed fee presented is based on the following assumptions:

- ▶ The level of risk in relation to the financial statements and VFM arrangements remains the same;
- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.




If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B



Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit Committee.

		 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.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach 44	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - February 2019
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - July 2019
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit Results Report - July 2019



Appendix B

Required communications with the Audit Committee

		Our Reporting to you
Required communications	 What is reported?	 When and where
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Audit Results Report - July 2019
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Audit Results Report - July 2019
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit Results Report - July 2019
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence. 	Audit Plan - February 2019; and Audit Results Report - July 2019

Appendix B

Required communications with the Audit Committee

		Our Reporting to you
Required communications	What is reported?	  When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit Results Report - July 2019
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of 	Audit Results Report - July 2019
46 Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit Results Report - July 2019
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - July 2019
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - July 2019
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - July 2019
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit plan - February 2019 Audit Results Report - July 2019
Certification work	Summary of certification work undertaken	Annual Certification report - January 2020

Additional audit information

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

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- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- ▶ The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- ▶ The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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Certification of claims annual report 2017/18

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

11 December 2018



The Members of the Audit Committee
Borough Council of King's Lynn & West Norfolk
Kings Court, Chapel Street
King's Lynn
Norfolk
PE30 1EX

11 December 2018

Dear Audit Committee Members

We are pleased to report on our certification work. This report summarises the results of our work on Borough Council of King's Lynn & West Norfolk's 2017/18 claims.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified reporting accountants to certify the claims and returns submitted to them.

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to the Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. For 2017/18, these arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 28 January 2019 as well as understand whether there are other matters which you consider may influence our audit.

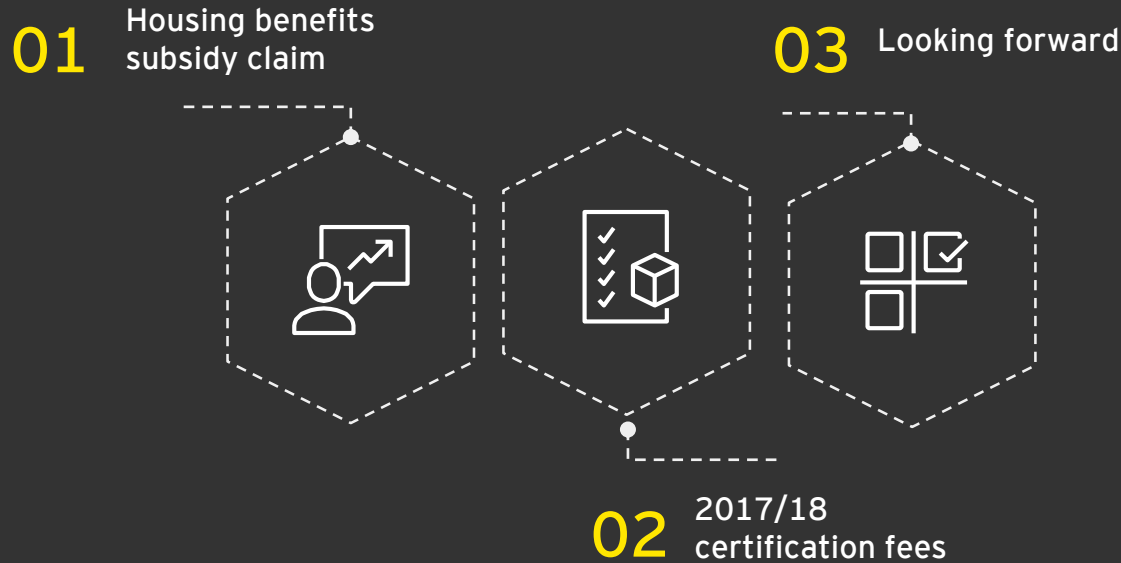
Yours faithfully

MARK HODGSON

Mark Hodgson

For and on behalf of Ernst & Young LLP

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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). 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 February 2017)" 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 and management of the Borough Council of King's Lynn & West Norfolk in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of the Borough Council of King's Lynn & 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, and management of the Borough Council of King's Lynn & West Norfolk for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Housing benefits subsidy claim



Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£36,843,736 (draft)
Amended/Not amended	Amended - subsidy reduced by £190,286 to £36,653,450 (final)
Qualification letter	Yes
Fee - 2017/18	£18,556
Fee - 2016/17	£22,000

Recommendations from 2016/17	Findings in 2017/18
Ensure all new cases and changes in circumstances are assessed under the risk based verification policy.	No specific findings to report. See the results of our testing below.
No issues were identified in this area in 2017/18.	

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires reporting accountants to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the certification of previous years claims. We identified errors in 'Rent Allowance' cases and carried out extended testing in the following areas:

- Incorrect income assessment due to incorrect application of child tax credits and working tax credits;
- Misclassification of overpayments between eligible and local authority error; and
- Misclassification of prior year overpayments between eligible and local authority error.

We reported the extrapolated value of these errors in our qualification letter to the DWP. The total extrapolated error was £10,386.

The most significant amendment was due to the result of an issue identified by the Council. The Council notified the DWP of an error regarding classification of benefit expenditure on supported housing claims. The expenditure on these claims were incorrectly excluded from requiring a rent officer determination in accordance with the DWP's guidance. The Council had therefore over-claimed subsidy of £191,432 which relates to expenditure above the Rent Officer's determination.

Other minor amendments made to the claim resulted in an increase in subsidy of £1,146.



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02

2017/18 certification fees





2017/18 certification fees

The PSAA determine a scale fee each year for the certification of the housing benefits subsidy claim. For 2017/18, these scale fees were published by the Public Sector Audit Appointments Ltd (PSAA's) and are available on their website (www.psaa.co.uk).

Claim or return	2017/18 Actual fee £'s	2017/18 Indicative fee £'s	2016/17 Actual fee £'s
Housing benefits subsidy claim	18,556	18,556	22,000

Despite the issues identified within Section 1 - we have been able to complete our work within the allocated fee. The actual fee is therefore the same as the indicative fee set by PSAA.



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03

Looking forward



Looking forward

2018/19 and beyond

From 2018/19, the Council is responsible for appointing their own Reporting Accountant to undertake the work on their claims in accordance with the instructions determined by the relevant grant paying body.

As your appointed auditor for the financial statements audit, we are pleased that for 2018/19 the Council has appointed us to act as Reporting Accountants in relation to the Housing Benefit Assurance Process.

We welcome this opportunity to continue undertaking this work for the Council providing a seamless quality service, drawing on our vast array of experienced and knowledgeable public sector professionals in these areas, whilst realising the synergies and efficiencies that are achieved by undertaking both the audit and grant work.

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ED None

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POLICY REVIEW AND DEVELOPMENT PANEL REPORT

REPORT TO:	Audit Committee		
DATE:	11 March 2019		
TITLE:	Draft Code of Corporate Governance		
TYPE OF REPORT:	Review		
PORTFOLIO(S):	Leader		
REPORT AUTHOR:	Ged Greaves, Senior Policy and Performance Officer		
OPEN/EXEMPT	Open	WILL BE SUBJECT TO A FUTURE CABINET REPORT:	No

REPORT SUMMARY/COVER PAGE

PURPOSE OF REPORT/SUMMARY:
<p>The terms of reference of the Audit Committee¹ state:</p> <p><i>“The main areas of responsibility for the Audit Committee will be to:</i></p> <p><i>a. Monitor the Council’s responsibilities under the Accounts and Audit Regulations 2011, and approve the Statement of Accounts.</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 provides an updated code of corporate governance for consideration.</p> <p>The code informs the preparation of the statutory annual governance statement².</p> <p>The draft code is attached at Appendix 2.</p>
KEY ISSUES:
<ol style="list-style-type: none"> 1. The code will be considered by Cabinet. 2. The code informs the preparation of the annual governance statement.
OPTIONS CONSIDERED:
Options do not apply; the council must prepare, approve and publish a code.
RECOMMENDATIONS:
<p>The Committee is invited to</p> <ol style="list-style-type: none"> 1. Review the draft Code of Corporate Governance (as attached). 2. Recommend the Code for approval by Cabinet.
REASONS FOR RECOMMENDATIONS:
In order to ensure that the Audit Committee have the opportunity to review, challenge and provide input prior to the Code of Corporate Governance being approved by Cabinet.

¹ As agreed by Full Council in June 2016

² Accounts and Audit Regulations 2015, regulation 6(1)

REPORT DETAIL

1. Introduction

- 1.1 The Code of Corporate Governance sets out how the council intends to apply the principles of corporate governance in the way it operates and conducts its business.
- 1.2 The extent to which the council adheres to the Code of Corporate Governance principles is described in the Annual Governance Statement (AGS).
- 1.3 The current code was approved by Cabinet in March 2015 and was aligned with the CIPFA/SOLACE “Delivering Good Governance in Local Government” 2012 framework.
- 1.4 CIPFA/SOLACE have updated the framework and this report provides a revised Code of Corporate Governance.

2. The Code of Corporate Governance

- 2.1 The council is committed to the principles of good corporate governance. The council’s current Code of Corporate Governance was developed using the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) 2012 guidance. This guidance has been refreshed following publication of a new governance framework for local authorities Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016).
- 2.2 Compliance with the Code of Corporate Governance supports the council’s review of the effectiveness of its system of internal controls as required by the Accounts and Audit Regulations 2015. This in turn informs the Annual Governance Statement which accompanies the Annual Statement of Accounts.
- 2.3 The framework contains the elements that local authorities are required to include in their annual governance statement. The adoption of the framework is also a requirement of the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (CIPFA/LASAAC, 2016).
- 2.4 The new framework is based on the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) as developed by CIPFA/SOLACE supported by a UK wide steering group made up of local government practitioners and stakeholders.
- 2.5 The framework includes a new definition of governance which stresses how good governance is essential in enabling an organisation achieve its goals. The key themes are:
 - Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

- To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their organisation's objectives whilst, at all times, acting in the public interest.
- Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

2.6 The 2016 framework has 7 principles compared to 6 within the 2012 version. These principles of governance enable organisations to achieve their outcomes while working in the public interest. Appendix 1 lists the 2012 and 2016 principles. The principles are further supported by examples of behaviours and actions that demonstrate what good governance should look like in practice. The principles are:

Principle 1 Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.

Principle 2 Ensuring openness and comprehensive stakeholder engagement.

Principle 3 Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Principle 4 Determining the interventions necessary to optimise the achievement of the intended outcomes.

Principle 5 Developing the entity's capacity, including the capability of its leadership and the individuals within it.

Principle 6 Managing risks and performance through robust internal control and strong public financial management.

Principle 7 Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

2.7 The council's revised Code of Corporate Governance, attached as Appendix 2, has been reworded to reflect the key changes in the guidance. The code, alongside the Annual Governance Statement reported to Audit Committee, helps to demonstrate how the council's values, constitution, policies and practices align to the principles of governance.

2.8 The council will refer to this refreshed Code of Corporate Governance when undertaking its annual review and publishing its governance statement. The annual governance statement for 2019 will relate to this new framework.

3.0 Corporate Priorities

Not applicable, statutory requirement.

4.0 Policy Implications

None.

5.0 Financial Implications

None.

6.0 Personnel Implications

None.

7.0 Statutory Considerations

7.1 The Code of Corporate Governance informs the preparation of the Annual Governance Statement and compliance with the Accounts and Audit Regulations.

8.0 Equality Opportunity Considerations

None.

9.0 Risk Management Implications

9.1 The Code of Corporate Governance forms part of the council's risk management approach.

10.0 Recommendations

The Committee is invited to:

1. Review the draft Code of Corporate Governance 2019 (as attached).
2. Recommend the Code for approval by Cabinet.

11.0 Declarations of Interest / Dispensations Granted

None

Background Papers

- Council Constitution
- CIPFA / SOLACE: Guidance Note – Delivering Good Governance in Local Government – Framework.
- CIPFA/SOLACE: Application Note to Delivering Good Governance in Local Government: a Framework 2010.
- CIPFA: Delivering Good Governance in Local Government: Framework Addendum 2012
- CIPFA/ SOLACE: Delivering Good Governance in Local Government Framework 2016 edition
- CIPFA/ SOLACE: Delivering Good Governance in Local Government Guidance notes for English Authorities 2016 edition
- Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (CIPFA/LASAAC, 2016)

Appendix 1

2012 and 2016 principles

2012 Principles

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area.
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
5. Developing the capacity and capability of members and officers to be effective.
6. Engaging with local people and other stakeholders to ensure robust public accountability.

2016 Principles

1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.
2. Ensuring openness and comprehensive stakeholder engagement.
3. Defining outcomes in terms of sustainable economic, social and environmental benefits.
4. Determining the interventions necessary to optimise the achievement of intended outcomes.
5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
6. Managing risks and performance through robust internal control and strong public financial management.
7. Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

Appendix 2

Proposed Code of Corporate Governance

1. Introduction

- 1.1 The Borough Council of King's Lynn and West Norfolk recognises that it 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. In discharging this accountability, members and officers will be responsible for putting in place proper arrangements for the governance of the council's affairs and the stewardship of the resources at its disposal.
- 1.2 This document sets out how the council intends to apply the principles of corporate governance in the way it operates and conducts its business. It has been developed in accordance with the principles outlined in the framework and guidance notes for CIPFA/SOLACE "Delivering Good Governance in Local Government (2016).

2. What is governance?

- 2.1 Governance is about how the council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which such bodies are directed and controlled and through which it accounts to, engages with, where appropriate, leads the community.
- 2.2 Good governance enables the council to define and pursue its vision more effectively. It leads to improvements in management, performance, stewardship of public money and public engagement and outcomes for individuals and the community. It ensures that appropriate mechanisms for control are in place and risks and opportunities are managed effectively.

3. Seven core principles of governance

- 3.1 The 2016 framework has the following seven principles:
1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.
 2. Ensuring openness and comprehensive stakeholder engagement.
 3. Defining outcomes in terms of sustainable economic, social and environmental benefits.
 4. Determining the interventions necessary to optimise the achievement of intended outcomes.
 5. Developing the entity's capacity, including the capability of its leadership and the individuals within it.
 6. Managing risks and performance through robust internal control and strong public financial management.
 7. Implementing good practices in transparency, reporting and audit, to deliver effective accountability.

4. Applying the principles of good governance

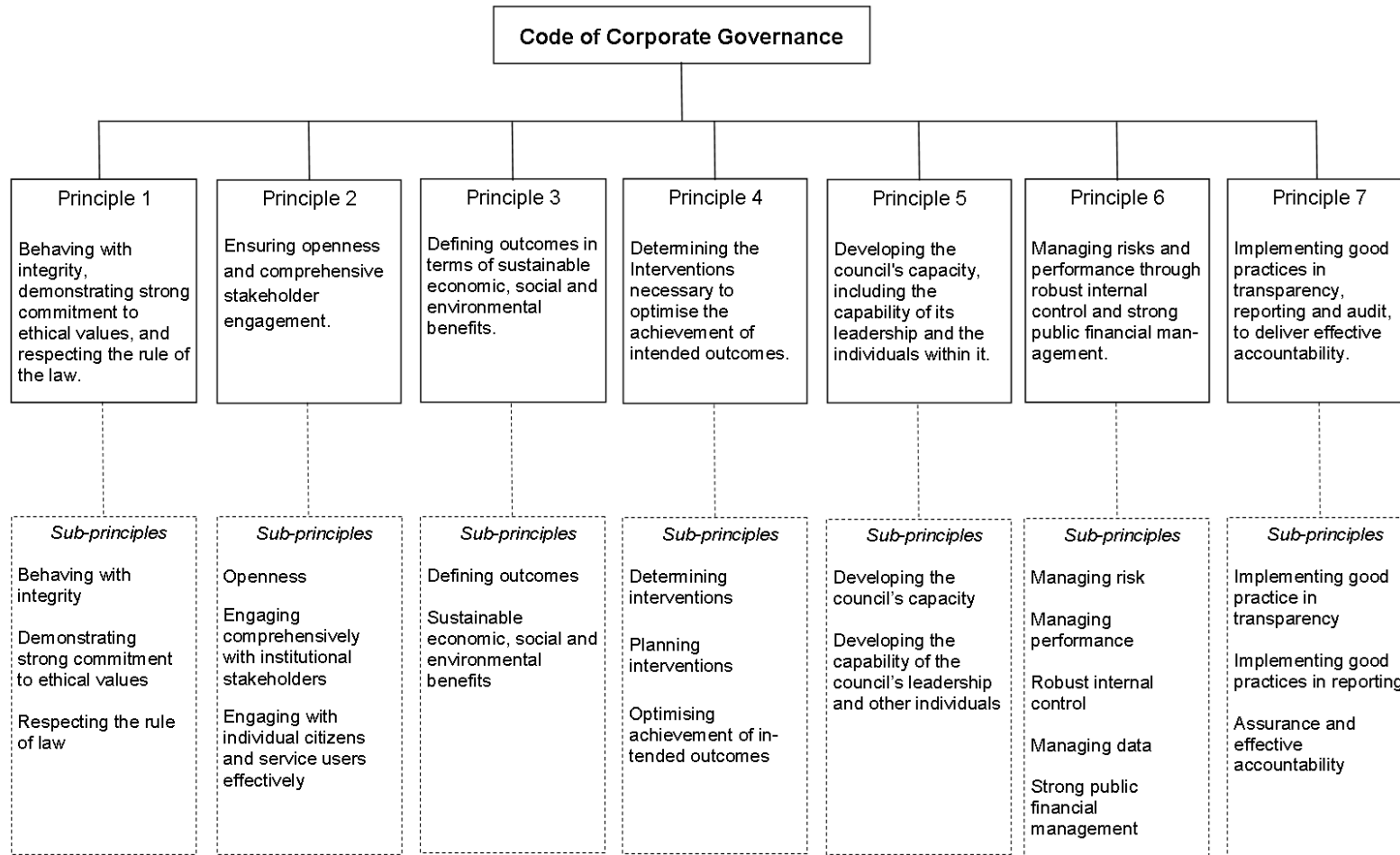
- 4.1 Each of the seven core principles of good governance has a number of supporting principles, which in turn, translate into a range of specific requirements that apply across the various aspects of the council's business. The diagram at Appendix A illustrates key elements within the code.
- 4.2 Appendix B provides an indication of how each of these principles should be applied and examples of local evidence are listed in Appendix C.

5. Monitoring and reporting

- 5.1 The council will undertake an annual review of its governance arrangements to ensure continuing compliance with notable practice to provide assurance that corporate governance arrangements are adequate and operating effectively in practice. Where reviews of the corporate governance arrangements have revealed gaps, actions will be planned to enhance the governance arrangements accordingly.
- 5.2 Additionally the council is required to prepare and publish an annual governance statement in accordance with this framework under Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006. This will be submitted to the Audit Committee for consideration and will form part of the council's annual statement of accounts.
- 5.3 The annual governance statement should include:
- an acknowledgement of responsibility for ensuring that there is a sound system of governance (incorporating the system of internal control) and reference to the council's code of governance;
 - reference to and assessment of the effectiveness of key elements of the governance framework and the role of those responsible for the development and maintenance of the governance environment;
 - an opinion on the level of assurance that the governance arrangements can provide and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework;
 - an agreed action plan showing actions taken, or proposed, to deal with significant governance issues;
 - reference to how issues raised in the previous year's annual governance statement have been resolved;
 - a conclusion – a commitment to monitoring implementation as part of the next annual review.

Policy name	Code of Corporate Governance			
Policy description	The policy sets out how the council intends to apply the principles of corporate governance in the way it operates and conducts its business.			
Responsible Officer	Ged Greaves, Senior Policy and Performance Officer			
Version number	Date formally approved	Reason for update	Author	Review date
1	August 2006	New CIPFA guidance	V. Jackson	
2	June 2008	Revised CIPFA guidance	I. Burbidge	
3	3 March 2015	Revised CIPFA guidance	V. Dunmall	2018
4	TBC	Updated CIPFA guidance	G. Greaves	2022

Appendix A - Code of corporate governance



Appendix B – Applying the principles of good governance

Principle 1 - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law.

Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Behaviours and actions that can demonstrate this:

1.1 Behaving with integrity	<p>1.1.1 Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.</p> <p>1.1.2 Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles).</p> <p>1.1.3 Leading by example and using the above standard operating principles or values as a framework for decision making and other actions.</p> <p>1.1.4 Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively.</p>
1.2 Demonstrating strong commitment to ethical values	<p>1.2.1 Seeking to establish, monitor and maintain the organisation's ethical standards and performance.</p> <p>1.2.2 Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.</p> <p>1.2.3 Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values.</p> <p>1.2.4 Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation.</p>
1.3 Respecting the rule of law	<p>1.3.1 Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.</p> <p>1.3.2 Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements.</p> <p>1.3.3 Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders.</p> <p>1.3.4 Dealing with breaches of legal and regulatory provisions effectively.</p> <p>1.3.5 Ensuring corruption and misuse of power are dealt with effectively.</p>

Principle 2 - Ensuring openness and comprehensive stakeholder engagement.	
Local government is run for the public good, organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.	
<i>Behaviours and actions that can demonstrate this</i>	
2.1 Openness	<p>2.1.1 Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.</p> <p>2.1.2 Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided.</p> <p>2.1.3 Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</p> <p>2.1.4 Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action.</p>
2.2 Engaging comprehensively with institutional stakeholders	<p>2.2.1 Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</p> <p>2.2.2 Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.</p> <p>2.2.3 Ensuring that partnerships are based on:</p> <ul style="list-style-type: none"> • trust • a shared commitment to change • a culture that promotes and accepts challenge among partners <p>...and that the added value of partnership working is explicit.</p>
2.3 Engaging with individual citizens and service users effectively	<p>2.3.1 Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</p> <p>2.3.2 Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement.</p> <p>2.3.3 Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</p> <p>2.3.4 Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.</p> <p>2.3.5 Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</p> <p>2.3.6 Taking account of the impact of decisions on future generations of tax payers and service users.</p>

Principle 3 - Defining outcomes in terms of sustainable economic, social and environmental benefits.

The long-term nature and impact of many of local government’s responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the organisation’s purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

Behaviours and actions that can demonstrate this

<p>3.1 Defining outcomes</p>	<p>3.1.1 Having a clear vision, which is an agreed formal statement of the council’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the council’s overall strategy, planning and other decisions.</p> <p>3.1.2 Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.</p> <p>3.1.3 Delivering defined outcomes on a sustainable basis within the resources that will be available.</p> <p>3.1.4 Identifying and managing risks to the achievement of outcomes.</p> <p>3.1.5 Managing service users’ expectations effectively with regard to determining priorities and making the best use of the resources available.</p>
<p>3.2 Sustainable economic, social and environmental benefits</p>	<p>3.2.1 Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision</p> <p>3.2.2 Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation’s intended outcomes and short-term factors such as the political cycle or financial constraints</p> <p>3.2.3 Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs</p> <p>3.2.4 Ensuring fair access to services.</p>

Principle 4 – Determining the interventions necessary to optimise the achievement of the intended outcomes.

Local government achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that local government has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

Behaviours and actions that can demonstrate this

4.1 Determining interventions	4.1.1 Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided 4.1.2 Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.
4.2 Planning interventions	4.2.1 Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets 4.2.2 Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered 4.2.3 Considering and monitoring risks facing each partner when working collaboratively, including shared risks 4.2.4 Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances 4.2.5 Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured 4.2.6 Ensuring capacity exists to generate the information required to review service quality regularly 4.2.7 Preparing budgets in accordance with objectives, strategies and the medium term financial plan 4.2.8 Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.
4.3 Optimising achievement of intended outcomes	4.3.1 Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints 4.3.2 Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term 4.3.3 Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage 4.3.4 Ensuring the achievement of 'social value' through service planning and commissioning.

Principle 5 – Developing the council’s capacity, including the capability of its leadership and the individuals within it.

Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an organisation operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of individual staff members. Leadership in local government is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Behaviours and actions that can demonstrate this

5.1 Developing the council’s capacity	5.1.1 Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness. 5.1.2 Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently. 5.1.3 Recognising the benefits of partnerships and collaborative working where added value can be achieved. 5.1.4 Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.
5.2 Developing the capability of the council’s leadership and other individuals	5.2.1 Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. 5.2.2 Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body. 5.2.3 Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other’s authority. 5.2.4 Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none">• ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged.• ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.• ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external. 5.2.5 Ensuring that there are structures in place to encourage public participation. 5.2.6 Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections. 5.2.7 Holding staff to account through regular performance reviews which take account of training or development needs. 5.2.8 Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

Principle 6 – Managing risks and performance through robust internal control and strong public financial management.

Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Behaviours and actions that can demonstrate this

<p>6.1 Managing risk</p>	<p>6.1.1 Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making. 6.1.2 Implementing robust and integrated risk management arrangements and ensuring that they are working effectively. 6.1.3 Ensuring that responsibilities for managing individual risks are clearly allocated.</p>
<p>6.2 Managing performance</p>	<p>6.2.1 Monitoring service delivery effectively including planning, specification, execution and independent post implementation review. 6.2.2 Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation’s financial, social and environmental position and outlook. 6.2.3 Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation’s performance and that of any organisation for which it is responsible. 6.2.4 Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement. 6.2.5 Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements).</p>
<p>6.3 Robust internal control</p>	<p>6.3.1 Aligning the risk management strategy and policies on internal control with achieving objectives. 6.3.2 Evaluating and monitoring risk management and internal control on a regular basis. 6.3.3 Ensuring effective counter fraud and anti-corruption arrangements are in place. 6.3.4 Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</p>

	<p>6.3.5 Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body:</p> <ul style="list-style-type: none"> • provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment. • that its recommendations are listened to and acted upon.
6.4 Managing data	<p>6.4.1 Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.</p> <p>6.4.2 Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.</p> <p>6.4.3 Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.</p>
6.5 Strong public financial management	<p>6.5.1 Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.</p> <p>6.5.2 Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.</p>

Principle 7 – Implementing good practices in transparency, reporting and audit to deliver effective accountability.

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Behaviours and actions that can demonstrate this

<p>7.1 Implementing good practice in transparency</p>	<p>7.1.1 Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. 7.1.2 Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.</p>
<p>7.2 Implementing good practices in reporting</p>	<p>7.2.1 Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way. 7.2.2 Ensuring members and senior management own the results reported. 7.2.3 Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement). 7.2.4 Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate. 7.2.5 Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations.</p>
<p>7.3 Assurance and effective accountability</p>	<p>7.3.1 Ensuring that recommendations for corrective action made by external audit are acted upon. 7.3.2 Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon. 7.3.3 Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations. 7.3.4 Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement. 7.3.5 Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.</p>

Appendix C - Supporting evidence, processes and practice

Policies, Strategies, Rules & Codes	Processes and Frameworks	Key documents	Functions
<ul style="list-style-type: none"> • Anti-theft, fraud & corruption policy • Capital Strategy • Computer useage policy • Constitution • Customer Access Strategy • Data Quality Strategy • Employment rules • Equality policy • Financial procedure rules and standing orders • Financial regulations • Health and Safety Policy • ICT strategy and action plan • Information governance policies e.g. Data Protection, FOI, Information risk, record retention and disposal • Medium Term Financial Strategy • Members' allowances scheme Members' code of conduct • Officers' code of conduct • Pay policy statement • Policy statement • Procedure rules (contracts, employment, meetings) • Procurement regulations • Procurement strategy • Protocol on member / officer relations • Prudential code • Risk Management Strategy • Scheme of Delegation • Travelling abroad with council devices policy • Treasury Management • Whistleblowing policy 	<ul style="list-style-type: none"> • Benchmarking • Budget consultation • Budget process • Business continuity framework • Car park management • Care & Repair • Civil Parking Enforcement • Complaints process • Corporate Business Plan • Customer feedback process • Data observatory • Environment policy • Environmental Monitoring Report • EQIA policies • Equality Monitoring • Extended Management Team Meetings • Health and Safety Policy • Induction process (member and officer) • Internal Audit plan • Job evaluation process • Legal Services • Meeting timetable • Member allowances publication • Member training • MRF Partnership • MT/Union meetings • Officer membership of professional bodies • Performance management framework (including team and service plans) • PRP targets • Report writing and assessment process • Risk management process • Scrutiny framework • Senior Staff Salary publication • Staff Briefing • Training for chairing committees 	<ul style="list-style-type: none"> • Agendas & Minutes • Annual audit letters • Annual Directorate Plans • Annual Governance Statement • Assurance Statements • CCTV Operating Manual • CNC Building Control • Committee reports, agendas and minutes • Complaints reports • Corporate Risk Register • Council website • Delegation Agreement & SLA • Employee Handbook • External inspection / review reports • Harassment Procedure • Internal Affairs • Intranet • Job descriptions/specs • Key decisions • Law & governance • Members Bulletin • Performance reports • Publication Scheme (FOI) • Record of decisions • Registers of interest • Report templates • Salary scales • Service level agreements • Service plans • Staff surveys • Standard timetable for circulation of agendas • Statement of Accounts • Statement of Internal Control • Terms & conditions of employment • Timetable of council meetings • Training programmes • Transparency publications • Workforce development plans 	<ul style="list-style-type: none"> • Audit Committee • Community Information Points • Democratic Services • External audit (and other reviews) • Finance service • Functions and responsibilities of senior officers and councillors • Head of Paid Service • Health and safety posts • Independent remuneration panel • Internal Audit • Local Government Ombudsman (report) • Management Team • Monitoring Officer • Monitoring Officer's report • Policy Development and Review Panels • Policy, Performance and Personnel Services • PR/Communication • S151 Officer • Scrutiny & Overview Liaison Committee • Scrutiny of Cabinet • Social media • Standards Committee • Statutory reports • Terms of reference for committees • Website and social media • Weekly CEO/DCEO and Leader/Deputy meetings

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AUDIT COMMITTEE WORK PROGRAMME 2019/2020

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
3 June 2019	Training/Briefing – subject to be identified			
3 June 2019	Corporate Risk Register	Monitoring	G Greaves	To note the report which presents the changes to the Risk Register since the last report.
3 June 2019	Draft Annual Governance Statement covering the 2018/2019 year.	Monitoring	G Greaves	To receive and note the draft Annual Governance Statement for the 2018/2019 year
3 June 2019	Internal Audit Annual Report and Opinion 2018/2019	Annual	K Woodward	To receive the Audit Manager's Annual Report.
3 June 2019	Internal Audit Full Year Progress Report 2018/2019	Progress Report	K Woodward	To receive the Audit Manager's Annual report.
3 June 2019	Audit Committee Effectiveness Report	Cabinet	K Woodward	To review the work of the Audit Committee during 201/2019 and consider if the Committee has effectively fulfilled its role.

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
29 July 2019	Training/Briefing – subject to be identified			
29 July 2019	Statement of Accounts		L Gore/ Financial Services Manager	
29 July 2019	External ISA 260 Report		L Gore/ Financial Services Manager	
29 July 2019	Annual Governance Statement Covering the 2018/2019 year	Annual	G Greaves	To approve the Annual Governance Statement for the 2018/2019 year.
29 July 2019	Treasury Outturn Report 2018/2019		Financial Services Manager	
16 September 2019	Training/Briefing - subject to be identified			
16 September 2019	Annual Audit Letter for Year ending 31 March 2019	Annual Audit Letter	L Gore	

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
11 November 2019	Training – subject to be identified			
11 November 2019	Business Continuity Update	Annual Update	G Greaves	
11 November 2019	Corporate Risk Register Monitoring Report	Monitoring	G Greaves	To note the report which presents the changes to the Risk Register since the last report.
11 November 2019	Mid-Year Treasury Report	Mid-Year	Financial Services Manager	To receive the mid-year report.
11 November 2019	Internal Audit Half Year Progress Report	Monitoring	K Woodward	To receive the half year progress report.
27 January 2020	Training – subject to be identified	Training		
27 January 2020	Update on progress with the Annual Governance Statement covering the 2019/2020 year	Update	G Greaves	To provide the Committee with an update on the progress with the Annual Governance Statement covering the 2019/2020 year.

DATE OF MEETING	TITLE	TYPE OF REPORT	LEAD OFFICER	OBJECTIVES AND DESIRED OUTCOMES
11 March 2020	Training – subject to be identified			
11 March 2020	Strategic Internal Audit Plan		K Woodward	To provide the Committee with the opportunity to review the proposed Strategic Audit Plan 2018 – 2023.

Potential Future Training Sessions

Contracts (Nora, Major Housing, Revenues and Benefits software, Refuse and Recycling).

Forthcoming Items – Date to be Identified

Monitoring of the Cinema Proposal, Corn Exchange

Monitoring of the Major Housing Scheme

Additional Audit Work – RIPA Desktop Inspection and GDPR legislation

Risk Register for each Capital Project currently being set up by Property Services (Final Version when available to be presented to the Audit Committee)