

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

RESOURCES AND PERFORMANCE PANEL – AUDIT AND RISK COMMITTEE

Minutes of a Meeting of the Resources and Performance Panel – Audit and Risk Committee held on Tuesday 29 October 2013, at 7.19 pm, in the Council Offices, Valentine Road, Hunstanton

PRESENT:

Councillors P Beal (Chairman)
M Chenery (*substitute for Councillor Humphrey*), J Collop, P Cousins,
J Loveless, M Langwade, C Manning (Vice-Chairman),
Mrs S Smeaton (*substitute for Councillor Morrison*), D Tyler, G Wareham, T de Winton
and A Wright

Apologies for absence were received from Councillors H Humphrey and A Morrison

ARC54: MINUTES

The Minutes of the Resources and Performance Panel – Audit and Risk Committee meeting held on 27 August and 9 September 2013 were confirmed as a correct record and signed by the Chairman.

ARC55: DECLARATIONS OF INTEREST

There were none.

ARC56: URGENT BUSINESS UNDER STANDING ORDER 7

There was no urgent business to report.

ARC57: MEMBERS PRESENT PURSUANT TO STANDING ORDER 34

There were no Members present under Standing Order 34.

ARC58: CHAIRMAN'S CORRESPONDENCE

The Chairman had no correspondence to report.

ARC59: MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS COMMITTEE RECOMMENDATIONS/REQUESTS

The Committee noted the responses made by Cabinet at its meeting held on 16 September 2013 to the recommendations made by the Resources and Performance Panel – Audit and Risk Committee at its meeting held on 9 September 2013 in respect of the following items:

- Statement of Accounts 2012/2013 Report to those charged with Governance (SA (UK&I) 260).
- Annual Governance Statement 2012/2013.

ARC60: **INTERNAL AUDIT PLAN 2013/2014 – PROGRESS REPORT FOR THE QUARTER JULY TO SEPTEMBER 2013**

The Audit Manager presented the report which showed the Internal Audit activity for the quarter July to September 2013 against the Strategic Audit Plan 2013/14.

Members' attention was drawn to the Summary of Findings on page 6 of the report.

In conclusion, the Audit Manager advised that progress to date had been satisfactory and nothing had arisen to suggest that the plan would not be completed within the year.

Councillor Loveless referred to page 6 – Recycling Contracts – MRF and Duratrust and asked for information on progress. The Audit Manager explained that the Audit had been to look at the process of handling and negotiating the contract from an officer point of view and to ensure that all relevant points were monitored.

The Leader, Councillor Daubney advised that an update report on the Black Bin Recycling Contract was being presented at the Regeneration, Environment and Community Panel on 30 October and invited those present to attend.

The Chief Executive explained that MRF and Duratrust contracts were two separate contracts.

RESOLVED: Members noted the report on the Internal Audit work plan for July to September 2013.

ARC61: **INTERNAL AUDIT BENCHMARKING EXERCISE**

The Audit Manager explained that the Internal Audit Team took part in the Benchmarking exercise undertaken by the Chartered Institute of Public Financial Accountant (CIPFA) earlier this year. The report summarised the adoption of a revised timetable for future Audit and Risk Committee meetings.

The Committee was informed that a detailed questionnaire was distributed to participants in March covering Service Structure, Costs, Chargeable Audit Days, Breakdown of Audit Days, Financial Size of the Authority – Gross Turnover, Staffing, Corporate Governance, Counter-Fraud and Investigations, Context (e.g. outsourcing, reporting lines, external auditors) and Audit IT. The final part consisted of text questions regarding such issues as the impact of the recession, changing responsibilities and emerging risks, to provide some

context to the replies.

It was noted that the completed questionnaires were returned in May for checking and analysis. The final Comparator Reports were issued in July with the detailed comparisons. Early in September the Audit Manager attended a Review Meeting at which participants could raise questions with the organisers and discuss issues arising directly with other participants. The number of District Councils taking part was disappointingly low, a fact that was commented on by the organisers at the meeting. As a result this had limited the usefulness of the exercise, but nevertheless some conclusions could be drawn.

The results of the exercise were outlined as set out at section 3 of the report.

The Audit Manager explained that on the whole the results of the Benchmarking exercise indicated that the Borough Council's arrangements were in line with those at other participating Councils. However, as noted the number of meetings held by the Audit and Risk Committee exceeded the norm. In response to this the Audit Manager was working with Democratic Services to rationalise the proposed meeting's agenda for next year to reduce the number of times the Committee had to sit as the Audit and Risk Committee.

The Committee was informed that the full results of the Benchmarking Exercise were available on InSite.

Councillor Cousins commented that if not many other District Councils had their own in house Audit Teams, could the Borough Council sell its audit services to those Councils. In response, the Chief Executive explained that the Council did sell its audit services to the Internal Drainage Board. The Audit Manager added that if the Council was to sell its services to another authority a bigger in house Audit Team would be required.

Councillor de Winton stated that audit was an important function of the Borough Council and it was necessary therefore to have a critical friend. He added that if the Audit and Risk Committee meetings changed to quarterly and lasted for up to 3 hours, then Members may determine not always to attend.

RESOLVED: The Committee noted the report and approved the adoption of a revised timetable for future Audit and Risk Committee meetings.

ARC62: **PROPOSED AUDIT AND FRAUD TEAM**

The Committee received and considered the report that outlined that both Internal Audit and the Benefits Enquiry Unit were facing changes in the future and it seemed opportune to consider the changing needs of each service and the requirements of the Council. The report looked at reviewing the two teams and combining the units into an Audit and Fraud Team gaining some resource on the audit/fraud activities and reducing the administrative support, providing a saving of £15,061 pa.

The report considered the options available, both separately and as a combined team. The options available as detailed at sections 1.4, 1.5 and 1.6 of the report were noted.

A closer working relationship and knowledge of each other's skills and approach would enable Internal Audit and the Benefits Enquiry Unit to build the resilient and flexible service that would be required to meet the changing demands.

It was therefore proposed to merge the two teams and realise the identified savings now. When the full implications of the transfer of benefit fraud investigation to Single Fraud Investigation Service (SFIS) were available, a further review would be carried out to consider the residual workload and staffing requirements, to establish if further savings could be achieved. It was proposed that the second review was dealt with by Management Team.

In response to questions from Councillor Chenery, the Audit Manager explained that currently the Fraud Investigation Officer investigated housing benefit only, with the proposal to merge both teams there would be scope for the Fraud Investigating Officer to undertake corporate fraud work.

Councillor de Winton asked if when the New Fraud Service was in operation outside of the Borough Council, would the relevant party send requests to demand to view the necessary paperwork. In response, the Audit Manager explained that the SFIS was currently being developed. Pilot schemes were being trialled and it was anticipated the service would be rolled out in 2014/2015, but to date there was insufficient information available.

Following further questions from Councillor de Winton, the Audit Manager explained that it is possible that when the Single Fraud Investigation Service was implemented, the Borough Council employees may transfer to the Department of Work and Pensions (DWP).

The Leader, Councillor Daubney added that the SFIS seemed to be a good idea, but it may well be the case that the initiative would slip 6 months and thus presented concern to all District Councils.

Councillor Chenery referred to page 30 training for Members on Fraud and asked if there was any relevant training available. In response, the Audit Manager advised that a training session could be organised on the Council's Anti-Fraud Policy and undertook to liaise with the Democratic Services Officer to identify a suitable date.

In response to questions from Councillor D J Collis, the Deputy Chief Executive explained that if the DWP took over the Single Fraud Investigation Service that there would be a clean break and relevant staff would transfer. It was highlighted that in 2013/2014 with the Council Tax Support Scheme there were potential areas for fraud, for example, single persons discount. With the merger of the two teams, expertise could be retained in house and allow other

types of fraud to be investigated.

Councillor Loveless referred to the last paragraph on page 22 and asked for clarification on housing benefit being the biggest single service provided by the local authority. The Deputy Chief Executive informed Members that Leisure Services could also be seen as a significant service. However, in 2012/13 just over £52m was paid to 14,671 housing benefit claimants on low incomes to enable them to pay their rent and Council Tax payments.

RESOLVED: The Committee noted the proposal.

ARC63: CORPORATE RISK MONITORING REPORT OCTOBER 2013

The Audit Manager explained that the report presented the changes to the Risk Register since the last monitoring report in June 2013 and gave details of the risks falling into the 'Very High' category and the associated work to mitigate the effects.

The Committee was informed that the Risk Register was reviewed by the Executive Directors on a 6-monthly basis. Any existing entries on the register were considered for changes to the nature of the risk, progress to be reported and any adjustments to the risk scores. Risks that were no longer relevant were removed and new risks considered in the context of current circumstances were added.

The Audit Manager explained that the following items had been removed:

- 5.1 Benefits reimbursement.
- 5.6 Revenues and Benefits Shared Services – Working Practices.

The Committee was informed that the full version of the Corporate Risk Register was available for Members to view on InSite.

In response to questions from Councillor Cousins relating to land assets and the decrease in the Council's available land bank and future opportunities to acquire land, the Leader, Councillor Daubney advised that it was generally the Council's policy to acquire land if the opportunity arose.

RESOLVED: The Committee noted the report.

ARC64: CABINET REPORT: MID YEAR REVIEW TREASURY REPORT 2013/2014

The Chief Financial Officer explained that the Mid Year Review Report had been prepared in compliance with CIPFA's Code of Practice, and covered the following:

- An economic update for the first six months of 2013/2014.
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy 2013/2014.
- The Council's capital expenditure (prudential indicators).

- A review of the Council's investment portfolio for 2013/2014.
- A review of the Council's borrowing strategy for 2013/2014.
- A review of any debt rescheduling undertaken during 2013/2014.
- A review of compliance with Treasury and Prudential Limits for 2013/2014.

In response to questions from Councillor Collop on what would happen should interest rates rise within a very short period, the Chief Financial Officer advised that the Council received information from Sector, the Council's treasury advisers on a monthly basis. When considered appropriate the Financial Plan could then be adjusted. The Committee's attention was drawn to paragraph 6.6 of the report:

The Council's budgeted investment return for 2013/14 was £483,500 and the projected performance for the year was £407,000 which was below budget. The Council's budgeted borrowing costs for 2013/2014 were £519,100 and projected outturn for the year was £481,000. Overall it was anticipated that there was a net impact of £37,400 on the Council's budget, the capital programme was currently being reviewed and any rephrasing would reduce the cost of borrowing in the current year. The cost of borrowing and investment returns were included in the financial adjustment element of the Council's budget, which was monitored and variances reported in the overall Budget Monitoring Report.

In conclusion, the Chief Financial Officer explained that the majority of the Council's investments were for short term periods and that the authority worked closely with Sector.

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

Cabinet is asked to note the report and the treasury activity.

ARC65: **COMMITTEE WORK PROGRAMME**

The Committee considered its Work Programme.

RESOLVED: That the Committee's Work Programme be noted.

ARC66: **DATE OF NEXT MEETING**

Committee Members noted that the next meeting of the Resources and Performance Panel – Audit and Risk Committee would take place on **Tuesday 26 November 2013 at 6.00 pm** in the **Committee Suite, King's Court, Chapel Street, King's Lynn.**

The meeting closed at 7.50 pm