

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

AUDIT AND RISK COMMITTEE

Minutes from the Meeting of the Audit and Risk Committee held on Tuesday, 21st July, 2015 at 5.30 pm in the Committee Suite, King's Court, Chapel Street, King's Lynn

PRESENT: Councillor H Humphrey (Chairman)
Councillors B Anota, R Blunt, N Daubney, I Devereux, I Gourlay, G Hipperson, P Hodson, G Middleton, A Morrison, D Tyler and G Wareham

Portfolio Holder: Councillor N Daubney, Leader

The following Councillors were present for AR31:

Councillors Miss L Bambridge, C Bower, A Bubb, P Kunes, D J Pope, T Smith, Mrs E Watson and Mrs S Young

AR24 APOLOGIES

Apologies for absence were received from Councillor J Collop.

AR25 MINUTES

The minutes of the Audit and Risk Committee held on 23 June 2015 were agreed as a correct record and signed by the Chairman.

AR26 DECLARATIONS OF INTEREST

There were no declarations of interest.

AR27 URGENT BUSINESS UNDER STANDING ORDER 7

There was no urgent business.

AR28 MEMBERS PRESENT PURSUANT TO STANDING ORDER 34

There were no Members present under Standing Order 34.

AR29 CHAIRMAN'S CORRESPONDENCE (IF ANY)

There was no Chairman's correspondence.

AR30 MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS COMMITTEE RECOMMENDATIONS/REQUESTS

None.

AR31 **BRIEFING ON THE ANNUAL GOVERNANCE STATEMENT**

Members received a presentation from the Personnel Services Manager on the Annual Governance Statement which covered the following areas:

- What is Governance?
- What is the Annual Governance Statement?
- Why/Who/How/When.
- Role of the Audit and Risk Committee.
- Relevant to all Elected Members.

Following the presentation, the Chairman, Councillor Humphrey invited those present to comment/ask questions, a summary of which is set out below.

In response to questions from Councillor Devereux regarding the governance arrangements for the Leisure Trust, the Chief Executive explained that the Borough Council's Annual Governance Statement covered the Local Authority Company only, but that the Leisure Trust was a separate entity and would therefore need to have their own governance arrangements in place. The Assistant Director reiterated that the Leisure Trust was a separate entity, but that the Local Authority Company would be included within the Borough Council's Annual Governance Statement.

Following further questions from Councillor Devereux regarding the accounts from the Leisure Trust, the Assistant Director advised that the Local Authority Company reported to a Board which comprised of both elected Members and Executive Directors. Regular meetings were scheduled and the Local Company's accounts would be shown in a separate part as part of the Council's group accounts.

The Chief Executive advised that the Leisure Trust was attending the Joint Panel meeting on 22 July to give a presentation. Currently there were Service Level Agreements between the Leisure Trust and the Borough Council for the delivery of services.

The Chairman, Councillor Humphrey asked if comments were received from the public on the Annual Governance Statement. In response, the Personnel Services Manager explained that once the statement had gone through all the internal processes and approved by Council, it was published on the Council's website.

The Chairman, Councillor Humphrey thanked the Personnel Services for the useful and informative presentation.

AR32 BUSINESS CONTINUITY ANNUAL UPDATE

Prior to presenting the report, the Environmental Health Manager (Environment) gave a Powerpoint presentation.

The Environmental Health Manager explained that the Council had a responsibility as a Category 1 responder under the Civil Contingencies Act 2004 to develop and maintain plans to ensure, as far as was reasonably practicable, key services could continue to be performed in the event of a disruption or emergency.

Members were informed that the report provided an update to the Audit and Risk Committee on the current position of the Council's Business Continuity arrangements, outlined progress made since the last update in July 2014 and outlined work that was to be undertaken over the coming months.

It was noted that the responsible officer for Business Continuity in the authority was the Executive Director – Environment and Planning. The Environmental Manager advised that the Executive Director was assisted by a small group of officers from across the authority – the Business Continuity Corporate Officer Group (BC COG).

The Committee was informed that the Council currently had a policy position agreed in September 2013.

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

- Background.
- Progress since last report in July 2014.
- Current position.
- Forward Workplan.

In conclusion, the Committee was informed that the Council's business continuity arrangements were aligned with the BCM model outlined in British Standard BS25999 as recommended by the Cabinet Office. The Environmental Health Manager explained that Business Continuity was not a static process; it was therefore important that, as the nature of the organisation changed, the Council's Business Continuity arrangements reflected the changes. The Business Continuity Corporate Officer Group (BC COG) ensured that the authority used the Plan – Check – Do – Review methodology.

The Environmental Health Manager advised Members that Management Team had determined that the BC COG would continue in its current form, in order to continue to embed business continuity within the organisation.

Councillor Devereux asked what the day to day impact would be on the Borough Council if the facility to carry out its online banking activities was not available. In response, the Environmental Health Manager

explained that there were business continuity arrangements in place for the provision of ICT, but advised that the banking sector in general would be required to make their own business continuity arrangements for the delivery of services.

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

In response to questions regarding the Council's payroll arrangements being outsourced and the business continuity arrangements, the Personnel Services Manager advised that the organisation undertaking the payroll function for the Borough Council were required to have their own business continuity arrangements and this had been included in the contract.

Following questions from Councillor Devereux regarding the public paying in money and not being compliant with the required timescale, the Assistant Director explained that if the IT systems were down and payments could not be made within 30 days then the Council would assess the circumstances and make the necessary adjustments.

In response to questions from Councillor Kunes regarding the loss of fuel arrangements, the Environmental Health Manager explained that there was a diesel storage tank situated at the Council's Depot. If a crisis occurred then the Council would make available diesel to identified staff to allow them to carry out their duties and gave an example of an officer carrying out a home visit.

Councillor Blunt asked if there were departmental plans in place and if they were tested. In response, the Environmental Health Manager explained that the plans varied throughout the Council. Previously, the ICT Business Continuity Plan had been tested and a discussion would be held in October at the Corporate Officer Group to determine which areas would be subject to testing.

Following further questions from Councillor Blunt regarding back-up arrangements, the Environmental Health Manager outlined the off site arrangements if, for example, King's Court was not accessible.

The Chairman, Councillor Humphrey asked if the Borough Council provided assistance to small companies regarding business continuity. In response, the Environmental Health Manager explained that the Emergency Planning Service area signposted businesses to information to assist with business continuity.

The Chairman, Councillor Humphrey thanked the Environmental Health Manager for the annual update.

RESOLVED: The Committee noted the progress made, endorsed the approach being taken to the Council's Business Continuity arrangements and confirmed that the annual updates on the subject were required.

AR33 **INTERNAL AUDIT ANNUAL REPORT AND OPINION 2014/2015**

The Assistant Director presented the report that provided Members with an overview of the work undertaken by the Internal Audit Section during the 2014-15 financial year against the Strategic Audit Plan, and provided an assurance option to support the Annual Governance Statement.

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

- Introduction and background.
- Audit Manager's Opinion.
- Resources and Sources of Assurance.
- Basis of Assurance.
- Anti-Fraud and Anti-Corruption Procedures.
- Risk Management.
- Conclusion.

The Chairman, Councillor Humphrey referred to section 3.7 of the report and asked for information on the four principles which did not conform to the PSIAS requirements. The Assistant Director explained that she did not have this information to hand, but would asked the Audit Manager to forward the information direct.

RESOLVED: The Committee noted the report.

AR34 **REVIEW OF THE EFFECTIVENESS OF THE AUDIT AND RISK COMMITTEE**

In presenting the draft Cabinet report, the Assistant Director explained that the report provided Cabinet with the results of the 'Review of the Effectiveness of the Audit and Risk Committee' for 2014/2015 and confirmed that the Committee was fulfilling its stated purpose which was 'to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Council's financial and non-financial performance to the extent that it affected the Council's exposure to risk and weakened the control environment, and to oversee the financial reporting process.'

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

- Background.
- Review Details.
- Items considered during 2014/2015.
- Outcomes.
- Conclusions.

In conclusion the Assistant Director explained that during 2014/2015 the Audit and Risk Committee received and commented on all relevant reports and actively monitored risk and internal controls. As a result it was therefore continuing to perform effectively and the Council was meeting its requirements under the Accounts and Audit Regulations 2011.

In response to questions from Councillor Devereux regarding previous decisions of the Audit and Risk Committee to change the actions proposed by officers, the Chairman, Councillor Humphrey explained that there was an opportunity for the Committee to ask for amendments to reports and to ask questions and challenge the contents of reports.

Following comments from Councillor Devereux on the Committee's Work Programme and the potential risks being identified to enable more interaction, the Leader explained that a Working Group would be set up to look at the working arrangements of the Panels.

In response to questions from Councillor Gourlay on independent checks being carried out in departments, the Assistant Director explained that the Audit Manager and the Internal Audit Team audited all areas of work involving core systems and gave the ledger as an example. An initial meeting would be held with relevant officers and the reports setting out the outcomes were circulated to the Service Manager, Executive Director and Management Team.

The Chief Executive added that he received all audit and follow up reports and operated an ongoing bring forward system to monitor all actions until completion.

Councillor Morrison referred to action 1.15 – Are members sufficiently independent of other key committees of the Council? and commented “independent in what way” from other committees. In response, the Chairman, Councillor Humphrey referred to the report received from the Centre of Public Scrutiny recommending that the Audit and Risk Committee be a separate committee and to appoint an independent person as a member. The Chairman commented that training undertaken by the Audit and Committee was also open to all Members to attend.

In response to comments made by Councillor Blunt regarding Members' training, the Assistant Director explained that at the Audit and Risk Committee on 7 September, the meeting would commence at 5.30 pm and there would be a briefing/training session on the closing of

the accounts to which all Members of the Council would be invited to attend.

Councillor Middleton referred to 5.2 Does the Audit Committee hold periodic private discussions with the External Auditor? The Chairman, Councillor Humphrey explained that if a particular issue arose then a private meeting would be scheduled. However, private meeting with the External Auditor were not held on a regular basis.

RESOLVED: The Committee noted the contents of the report

AR35

CABINET REPORT: ANNUAL TREASURY REPORT 2014/2015

The Group Accountant presented the report and explained that the Council had formally adopted the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (2009) and remained fully compliant with its requirements.

The Committee was informed that the Annual Treasury Report looked backwards at 2014/2015 and covered:

- The Council's overall borrowing need.
- The Council's treasury position/performance.
- The strategy for 2014/2015.
- The economy in 2014/2015.
- Borrowing rates in 2014/2015.
- The borrowing outturn for 2014/2015.
- Compliance with treasury limits and Prudential Indicators.
- Investment rates for 2014/2015.
- Investment outturn for 2014/2015.
- Debt rescheduling.

The Group Accountant explained that during the year the Council maintained a cautious approach to investment and management of debt. Investments returned a percentage of 0.93% exceeding the 7 day London Interbank Bid Rate (LIBID) benchmark rate of 0.35%. Interest on debt averaged 3.38% in 2014/2015.

In response to questions from Councillor Wareham regarding interest rates and the Council's investments, the Group Accountant explained that the Council's short term loans were less than one year and a small number were two years. It was noted that interest rates were monitored on a daily/weekly basis to minimise any loss of long term interest.

In response to questions from Councillor Devereux regarding the Strategy for 2015/2016, the Assistant Director explained that the outturn report looked back at 2014/2015. The Strategy for 2015/2016 had been agreed in March 2015, the mid year report would be presented to the Committee at the November meeting.

Following further questions from Councillor Devereux on the Council's financial advisers, the Assistant Director explained that a tender exercise had been undertaken to appoint the Council's treasury advisers.

In response to questions from Councillor Gourlay, the Chairman, Councillor Humphrey advised that specific bank accounts were identified by the Council for overnight banking arrangements to assist in managing the day to day cashflow.

RESOLVED: The Committee supported the recommendation to Cabinet as follows:

Cabinet is asked to approve the actual 2014/2015 prudential and treasury indicators in the report, and to note the report.

AR36 **CABINET REPORT: REVIEW AND UPDATE OF CONTRACT STANDING ORDERS**

In presenting the report, the Group Accountant explained that since the current version of Contract Standing Orders was approved by Council on 29 November 2012 there had been several changes in procurement policy. The changes included the publication of the new Local Government National Procurement Strategy in July 2014, the EU Procurement Directive in 2014 and the transposition of this into the Public Contracts Regulations 2015. The regulations also included UK government measures to support SMEs that had been referred to as the "Lord Young reforms." Contract Standing Orders had been reviewed and amendments were proposed that included measures to take account of the changes.

The Committee noted the following changes:

- Inclusion of new regulations on advertising (CSO.19).
- Changes to the detail of when the Public Services (Social Value) Act applied as the, then new, Act was not fully understood at the last review in 2012 (CSO.14).
- Replacement of Approved List information, which the Council had never used, with better information on the use of Framework Agreements (CSO.20-25).
- Major changes to short-listing reflecting new regulations banning PQQs from low value tenders (CSO.29).
- The fine detail covering submission, receipt and evaluation of tenders along with post-tender negotiation and contract award had been placed into Appendix 2 linked to CSO.41-42.
- A complete change to the reasons that can be used to justify exemptions from Contract Standing Orders (now CS).43-45).

Councillor Devereux asked what the total was of the procurement through Contract Standing Orders, in response the Group Accountant advised it was a considerable amount.

The Chief Executive informed the Committee that the Council had a small in-house Procurement Team of 1.5 posts, whose primary role was to management the procurement process and assist with technical issues. The Chief Executive that employees had recently participated in procurement training and the emphasis was placed on Service Managers to take responsibility for procurement and call on the in house team to provide guidance and assistant when required.

Following further comments from Councillor Devereux, the Chief Executive explained that with a large contract such as refuse, specialist advice had been bout in to provide the require support throughout the procurement process.

RESOLVED: The Committee supported the recommendation to Cabinet as follows:

Details of the main changes are provided in the body of the report. It is recommended that Cabinet accept the new version of Contract Standing Orders and that they recommend acceptance by full Council.

AR37 **COMMITTEE WORK PROGRAMME 2015/2016**

The Committee noted the work programme for 2015/2016.

AR38 **DATE OF NEXT MEETING**

The next meeting of the Audit and Risk Committee would be held on **Monday 7 September 2015 at 5.30 pm** in the Committee Suite, King's Court, Chapel Street, King's Lynn.

The meeting closed at 7.05 pm