

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, 23rd June, 2015 at 6.46 pm in the Committee Suite, King's Court, Chapel Street, King's Lynn

PRESENT:

Councillors B Anota, R Blunt, J Collop, N Daubney, I Devereux, I Gourlay, G Hipperson, P Hodson, H Humphrey, D Tyler and G Wareham

An apology for absence was received from Councillor G Middleton and A Morrison

AR11: **APOLOGIES**

Apologies for absence were received from Councillors G Middleton and A M Morrison.

AR12: **MINUTES**

The minutes of the Audit and Risk Committee held on 8 June 2015 were agreed as a correct record and signed by the Chairman.

AR13: **DECLARATIONS OF INTEREST**

There were no declarations of interest.

AR14: **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

AR15: **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

AR16: **CHAIRMAN'S CORRESPONDENCE (IF ANY)**

There was no Chairman's correspondence.

AR17: **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 10 June 2015 to the recommendations made by the Audit and

Risk Committee at its meeting held on 8 June 2015 in respect of the following items:

- Revenue Outturn 2014/2015.
- Capital Programme and Resources 2014/2018.

AR18: **INTERNAL AUDIT END OF YEAR 2014/2015 PROGRESS REPORT**

The Audit Manager presented the report which showed the Internal Audit activity for the second half of 2014/2015 against the Strategic Audit Plan.

Members were advised that the Strategic Audit Plan 2014/2015, endorsed by the Audit and Risk Committee on 25 February 2014, set out the work Internal Audit expected to carry out during the year.

The Committee was informed that on completion of each audit a formal report was issued to the relevant line managers, the Executive Director and Portfolio Holders. It was noted that copies were also sent to the Chief Executive, Assistant Director and the External Auditors, Ernst and Young. The report contained an action plan, with target dates, that had been agreed with the managers to address the observations and recommendations raised by Internal Audit. This formed the basis of the follow-up audit, which was carried out approximately six months later to assess progress in implementing the agreed actions.

The Audit Manager provided an overview of the audits which had been completed during the last quarter and reports issued detailed at section 2.2 of the report. Members were informed that a summary of the reports was attached at Appendix 1 and the full versions were available under the relevant year for the Audit and Risk Committee to view on InSite. Details of how to access InSite and view the documents would be emailed to the Committee.

The Committee was advised that the following audits were ongoing at the end of the year and would be reported to members in the next progress report:

- Payroll.
- Council Tax.
- Leisure Services.
- General Ledger.

The Audit Manager provided an overview of the other work carried out as follows:

- Annual review of the processes to compile the Annual Governance Statement.
- Reviewing the data matches returned for the latest National Fraud Initiative exercise.

- Producing a summary of the leisure trust arrangements.
- Creation of an Assurance Framework and supporting risk assessments to use in compiling the Strategic Audit Plan.

The Committee was advised of the changes to the Audit Plan as set out in section 2.5 of the report.

In conclusion, the Audit Manager explained that the progress against the plan had been less satisfactory than usual due to the exceptional circumstances during 2014/2015. The Planned work would be completed, albeit late, and would feed into the Audit Plan for 2015/2016. Sufficient work had been completed on which the Audit Manager could base an opinion on the systems of internal control as required in the Annual Audit Report and the Annual Governance Statement.

Councillor Devereux commented that the Internal Audit Plan was dominated by financial considerations and asked what were the full set of external requirements and accreditations that the Council must comply with to enable it to provide assurance to its stakeholders that it was operating effectively, for example, health and safety, quality, security, software, etc. In response the Audit Manager advised that there were external requirements, etc and that when Health and Safety and IT audits were undertaken, specialist advice was bought in to carry out the work. It was explained that the In House Team undertook quality control for risk assessments.

The Chairman, Councillor Humphrey commented that the Committee monitored the progress made against the Internal Audit Plan over the three years.

The Assistant Director informed Members that some external checks were undertaken and gave an example of purchase cards. She advised that when required specialist advice was purchased.

The Chairman, Councillor Humphrey referred to page 7 – Property Services, Asbestos Management and asked for an explanation as to why the overall opinion was given Limited Assurance. In response, the Audit Manager explained that this area of work had been given limited assurance because at the time of the audit there was no officer had been appointed at senior management level for this area of work. New software was being sourced to record the results of the new asbestos survey. The Assistant Director added that a tender exercise had recently being undertaken for the Asbestos Survey work.

RESOLVED: Members noted the report on the Internal Audit Work Plan 2014/2015.

AR19: **END OF YEAR REPORT OF BENEFITS INVESTIGATIONS UNIT AND INTERNAL AUDIT WORK ON THE NATIONAL FRAUD INITIATIVE**

The Audit Manager tabled an amended table as set out in section 3.4 of the report.

In presenting the report, the Audit Manager explained that the Benefit Investigations Unit undertook work to prevent and detect benefit fraud, and Internal Audit co-ordinated the investigation of matches returned by the National Fraud Initiative exercises. The report provided Members with information regarding the work undertaken in both areas during the 2014/2015 financial year.

The Audit Manager informed the Committee that as from 1 April 2015 the investigation of Housing Benefit Fraud transferred to the Department of work and Pensions (DWP). The Investigations Manager and one of the Investigations Officers chose to transfer with the work. The report was therefore intended to advise the Committee of the work undertaken by the Benefits Investigations Unit up to the point of transfer and would be the last report of this kind, although there may be some residual cases to report.

The Committee was advised that the remaining Investigations Officer had taken up a new post within the Audit and Fraud Team as an Investigations Officer/Internal Auditor. The Audit Manager explained that the post holder would be providing the investigation support for Council Tax Support fraud and corporate fraud, as well as exploring the possibility of undertaking such work for external bodies.

The Audit Manager explained that the Council's Internal Audit Team would continue to co-ordinate the data matching exercise run by the National Fraud Initiative.

The Audit Manager provided an overview of the work undertaken by the Benefits Investigations Unit in the year 2014/2015.

Members were informed that of the 440 cases that were formally investigated, 19 resulted in fraud being proven where formal action was taken, as the evidence gained was considered 'beyond all reasonable doubt'. Details of the action taken were outlined as set out in the report.

It was explained that in the past, the work of the Investigations Unit was directly funded by the government with rewards for achievements of targets. Costs towards fraud prevention and detection were now all included within the Administration Subsidy that the Council received to administer the Housing Benefit Scheme. The Audit Manager advised that the Investigations Unit did still generate income up to 31 March 2015, in addition to the government funding through the costs awarded against proven cases and the repayment of overpayments of benefit.

The Committee noted the work completed on the National Fraud Initiative exercise as detailed at section 5 of the report.

Councillor Devereux asked how in the future will the Council protect itself against fraud and gain intelligence in a timely manner to provide timely stakeholder assurance of the risks involved. In response, the Audit Manager explained that prior to Borough Council staff being transferred to the DWP, the level of employees had been as follows:

- 2 Investigations Officer.
- 1 Line Manager.

At the present time, there remained 1 Investigations Officer who would continue to work on fraud detection.

Councillor Blunt asked how the Borough Council compared to other authorities with the detection of fraud.

The Chairman, Councillor Humphrey referred to paragraph 4.3 and asked how successful the Borough Council was in recovering the overpayments and at what debts were written off. In response, the Investigations Officer explained that the Council continued to recover overpayments on an annual basis which also included previous debts. The Investigations Officer advised that in some cases debts were written off but where possible every effort was made to recover the debt.

In response to questions from the Chairman, Councillor Humphrey regarding the data matching exercise and progress to date, the Investigations Officer informed Members that he had commenced work on this area of work on 1 April 2015 and that there were over 3,000 data matches contained in the report.

Following questions from Councillor Collop on fraud relating to student loans, the Investigations Officer explained that students could claim benefit which was considered as income and could live on the benefit during their period of study.

In response to questions from Councillor Devereux regarding the recovery of fraud, the Investigations Officer explained that the Council had a duty to investigate.

RESOLVED: The Committee noted the report.

AR20: **CORPORATE RISK MONITORING REPORT APRIL 2015**

In presenting the report, the Audit Manager explained that the report presented the changes to the Risk Register since the last monitoring report in November 2014 and gave details of the risks falling into the 'Very High' category and the associated work to mitigate the effects.

The Committee was reminded that it received reports on a half-yearly basis on the position of the Corporate Risk Register, with the last one presented in November 2014.

The Audit Manager explained that the Risk Register was reviewed by the Executive Directors on a 6-monthly basis. A summary of the changes to the Risk Register since the last monitoring report were detailed at section 2 of the report. It was highlighted that there were currently no 'Very High' risks on the Risk Register.

Members' attention was drawn to the changes to the Register as set out below.

To be removed

- 1.12 – Co-op Bank Financial Standing.
- 2.6 – Joint Venture.
- 2.8 – Major Housing Development.

Added

- 2.9 – Major Housing Development Planning Permissions.
- 2.10 – 5 year Land Supply.
- 2.11 – Housing Market.

Risk Rating Amendments

- 1.7 - Community Relations.
- 2.7- Capital Receipts.
- 5.14 - VAT Trust arrangements.

In conclusion, the Audit Manager advised that the Risk Register continued to be actively monitored by Senior Management on a regular basis.

The Chairman, Councillor Humphrey referred to the risk rating amendments – 2.7: Capital receipts and how this affected the planning of the Capital Programme. In response, the Assistant Director explained that the Committee had received the Capital Programme Outturn report on 8 June 2015, the progress/update would be monitored via the Monthly Monitoring Report. The Capital Programme would then be adjusted accordingly dependant on the funding available.

The Leader, Councillor Daubney added that a decision could be made if a project, etc. was considered important and recognised as a priority to proceed. It was explained that the Capital Programme could be modified at the appropriate time if determined necessary.

In response to questions from Councillor Collop regarding the high risk items – the major housing planning permission and the VAT trust arrangements, the Leader, Councillor Daubney explained that each risk was assessed under the criteria – likelihood and impact. It was highlighted that the Council did not have influence over the major housing planning permission and that the application would be submitted to the Planning Committee for consideration. The Leader, Councillor Daubney advised that a Consultative Group had been set up and the first meeting had been constructive, a second meeting had also been scheduled.

The Leader, Councillor Daubney undertook to keep Members informed regarding the major housing project.

In response to questions from Councillor Collop relating to the requirement for the Council to identify a 5 year land supply, the Audit Manager explained that if the Borough Council did not have a 5 year land supply and planning permission was refused and went to appeal and approved, the Council would incur costs and would impact on the Local Development Framework.

RESOLVED: The Committee noted the report.

AR21: **STRATEGIC INTERNAL AUDIT PLAN 2015/2016**

The Audit Manager explained that the report provided Committee Members with the opportunity to review the proposed Strategic Internal Audit Plan for 2015/2016.

Members were informed that the Strategic Audit Plan 2015/2018 was attached to the report at Appendices 1 and 2. The Audit Manager explained that the plan indicated the proposed work over the next three years. The first year was defined and although the work could be adjusted if necessary to accommodate any major occurrences during the year, it was usual for the plan to be completed as shown. The next two years were more flexible and simply provided an indication of the work that was anticipated.

The Committee noted that the overall strategy of the Internal Audit was reviewed on an annual basis and was attached at Appendix 3.

The purpose of the Audit Plan was outlined as set out in section 2 of the report.

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

- Preparing the Plan.
- Format of the Plan.
- Outcomes.

Councillor Devereux referred to section 2.1 and asked what the 'non-identified' areas were. In response, the Audit Manager explained that it was anticipated that all areas of the Council would be audited as appropriate and undertook to remove the word identified.

Councillor Devereux commented that there was a need for the audit programme to demonstrate 'strategic' alignment with all external requirements and accreditations essential for the effective operation. In response, the Audit Manager explained that when preparing the Audit Plan, the officers looked at the risk on the Corporate Risk Register which required to be audited, however the same criteria did not apply.

Following comments and questions from the Chairman, Councillor Humphrey regarding identified areas at Appendix 2 and allocation of audit time, the Audit Manager explained that when the recent audit of accounts had been conducted it had not fallen within the timescale of the Strategic Internal Audit Plan. The Chairman, Councillor Humphrey suggested that text be included along the lines of "due to be considered over the life of the plan." The Assistant Director informed Members that training would be provided to the Committee later in the year and the points raised could be addressed during a future training session.

RESOLVED: The Committee noted the Strategic Internal Audit Plan for 2015/2018.

AR22: **COMMITTEE WORK PROGRAMME 2015/2016**

Councillor Collop referred to the debate at Full Council regarding the proposed arrangements for undertaking the scrutiny function and commented that he welcomed the proposal to reduce the membership of the Audit and Risk Committee and added that the reports presented this evening were to note only.

The Chairman, Councillor Humphrey commented that the debate at the Committee this evening had been beneficial and valuable on the reports presented. Training sessions would be scheduled in at the appropriate time.

RESOLVED: The Committee noted the work programme.

AR23: **DATE OF NEXT MEETING**

The next meeting of the Audit and Risk Committee would be held on **Tuesday 21 July 2015 at 5.30 pm** in the Committee Suite, King's Court, Chapel Street, King's Lynn.

The meeting closed at 7.35 pm

