

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 25 March 2014, at 6.32 pm, in The Committee Suite, King's Court, Chapel Street, King's Lynn

PRESENT:

Councillors P Beal (Chairman)
M Chenery (*substitute for Councillor de Winton*), J Collop, D J Collis, P Cousins,
I Gourlay, H Humphrey, M Langwade, C Manning (Vice-Chairman),
D Tyler, G Wareham, A Wright and Mrs S Young

Portfolio Holder:

Councillor N Daubney, Leader and Portfolio Holder for Resources (*left the meeting at 6.36 pm*)

Also Present:

Mr R Murray and Ms H Devlin, Ernst and Young – the Council's External Auditors

Apologies for absence were received from Councillors T de Winton and M Hopkins

ARC77: **MINUTES**

The Minutes of the Resources and Performance Panel – Audit and Risk Committee meeting held on 26 November 2013 were confirmed as a correct record and signed by the Chairman.

ARC78: **DECLARATIONS OF INTEREST**

There were none.

ARC79: **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business to report.

ARC80: **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

ARC81: **CHAIRMAN'S CORRESPONDENCE**

The Chairman had no correspondence to report.

ARC82: **MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS COMMITTEE RECOMMENDATIONS/REQUESTS**

There were none.

ARC83: **CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2012/2013**

Mr R Murray, Ernst & Young presented the Certification of Claims and Returns Annual Report 2012/2013 and highlighted the following points:

- Scope of work.
- Statement of responsibilities.
- Summary of 2012/2013 Certification Work – two claims and returns certified with a total value of £90.9 million. Qualification letter issued for both the housing benefit and council tax benefit subsidy claim and the national domestic rates claim. The certification work found errors in both claims which the Council corrected. The amendments had a marginal effect on the grant due for national non-domestic rates. The impact of the amendments to the housing benefit and council tax benefit subsidy was minimal. It was highlighted that overall, there were a high number of errors identified through the work undertaken. However, it was noted that this was a complex and high value claim and a degree of escalation in the error rate was not unexpected in a year of system conversion. Overpayment misclassifications and income assessment errors had been a recurring issue at the Council and the Auditors would expect performance to improve significantly during 2013/2014.
- 2012/2013 Certification Fees – it was noted that it had not been possible to achieve a 40% reduction in fees during the year 2012/2013.
- Looking Forward.
- Summary of Recommendations.

In response to questions from Councillor Humphrey regarding the results found in the scope of work, Mr Murray explained that similar experiences were found in other local authorities during a year of transition. He added that the issues regarding certification of grant claims had been flagged up in earlier reports which had been presented to Members and officers.

Councillor Humphrey referred to the Summary of Recommendations on page 9, particularly recommendation 2 relating to the housing and benefit claims and the comment made by a Borough Council Officer relating to the software suppliers. In response, the Deputy Chief Executive advised that this was a specialist issue which he did not have a response to hand, but would arrange for the Revenues and Benefits Manager to circulate details direct to the Committee.

The Chairman, Councillor Beal thanked Mr Murray and Ms Devlin for attending the meeting and presenting the report to the Committee.

RESOLVED: Members noted the Annual Certification of Claims and Returns – 2012/13.

ARC84: INTERNAL AUDIT PLAN 2013/2014 – PROGRESS REPORT FOR THE QUARTER OCTOBER TO DECEMBER 2013

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

The Committee was informed of the following:

- Reports issued during the quarter.
- Work ongoing including Core Audits.
- Other work carried out in the quarter.
- Changes to the Strategic Plan. Two audits had been deleted from the plan. The first one being the Procurement Review which was intended to look at the operation of the procurement contract – an audit would be undertaken during the next year on the work of the Project Group. The second audit that had been deleted from the plan was the operation of the Environmental Health Administration section which had been moved to the Planning Administration. However, operational changes had already taken place which addressed some of the issues to be considered so an audit would now not be necessary. A VAT audit had been postponed and had now been included in the planned work for 2014/2015. The Car Parks audit was a core audit and needed to be completed within this financial year. An external Internal Auditor had been engaged to carry out this audit. The appointed auditor was very experienced and had been used in this capacity by the Council previously, with satisfactory results. Care and Repair had been undergoing a Lean Review and were transferring from the FEMIS software to IDOX. It was therefore agreed that it would be more beneficial to carry out the audit after the work had been completed. The audit had therefore been postponed and would be included in the 2014/2015 plan.
- Performance Indicators.
- Work planned for the next quarter January to March 2014.

The Audit Manager informed the Committee that a training session would be scheduled relating to Fraud measures at a future date.

In conclusion, the Audit Manager advised that progress to date had been satisfactory and at this point nothing had arisen to suggest that the plan would not be completed within the year. If anything did arise that would impact on the completion of the plan, the Committee would be informed at the next available meeting.

Councillor Cousins asked for clarification on the term “Lean Review.” The Deputy Chief Executive explained that the Council was undertaking a series of

reviews under the Cost Reduction Programme. He gave an example of a recent lean review of the Care and Repair operation and explained that the current processes were looked at and staff would determine what needed to be added and what was no longer needed. An external trainer had been used to provide training to specific officers employed by the Council. Those employees would then be equipped with the necessary knowledge and expertise to undertake a series of in-house lean reviews. The following services areas had been identified to date:

- Licensing.
- Environmental Health.
- Housing.

Councillor Chenery referred to page 17: Complete the recording of black bin serial numbers and asked what the process entailed. In response, the Audit Manager explained that each bin had a serial number and would assist in identifying a bin that had been stolen. The process would be undertaken by KIER.

Councillor Humphrey referred to paragraph 2.5 and asked if there were any risks involved with changing the software to IDOX. In response, the Deputy Chief Executive advised that there were no financial grant claims involved. The Audit Manager advised that the ICT Manager had requested that the Internal Audit Team be involved to ensure that the data changes reconciled.

Councillor Humphrey made reference to page 16 – The need for an ICT Strategy and asked if this referred to the current strategy being updated. In response, the Audit Manager explained that there was always an ICT Strategy in place, but that it was a live document and that it continually needed updating.

The Chairman thanked the Audit Manager for presenting the Internal Audit Plan 2013-2014 – progress report for the quarter October to December 2013;

RESOLVED: The Committee noted the report.

ARC85: **STRATEGIC INTERNAL AUDIT PLAN 2014/2017**

The Audit Manager presented the report which provided the Committee with the opportunity to review the proposed Strategic Internal Audit Plan for 2014/2017.

The Strategic Internal Audit Plan 2014/2017 was attached to the report as Appendices 1 and 3.

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

The Committee was informed that the Strategic Audit Plan was intended to:

- Ensure all identified areas were audited over the life of the plan, taking into account clients' audit requirements and the major risks facing the Council.
- Ensure there were adequate resources to undertake the required audits.
- Provide a basis for monitoring actual performance of the Internal Audit function.

The Audit Manager outlined the work involved in the preparation of the plan as set out at Section 3 of the report.

The Committee was informed that the presentation of the plan was in a different format this year. It has been presented in two parts. The first part was the Annual Plan (Appendix 1), which dealt with 2014/2015 only and contained a brief description of the intended scope of each audit together with the planned quarter for the work to take place. The second part was the Strategic Plan (Appendix 2) and this provided an indication of allocations for audits in 2015/16 and 2016/17 so that coverage of all areas of the Council would be seen. However, the allocations for the later years were indicative only and may change as circumstances arose.

The Audit Manager explained that as in 2013/2014, she would continue to produce quarterly monitoring reports indicating:

- The audit work completed in the quarter.
- The results of follow-ups carried out, especially any issues outstanding.
- Work ongoing and work intended for the next quarter.
- Progress against the Audit Plan.
- Results against the Performance Indicators.

Councillor Humphrey commented that it was a well written and clear report. He referred to page 29 – risk assessment and asked if the departmental risks registers were examined and reviewed. In response, the Audit Manager explained that generally departments did not hold individual risk registers, but that each Service area produced a Service Plan on an annual basis. The Deputy Chief Executive explained that any serious risk or issues of concern were recorded in the Corporate Risk Register which was held by the Audit Manager.

Councillor Gourlay asked why the Audit Plan covered a 3 year period and why every department was not audited on an annual basis. In response, the Audit Manager explained that core audits were undertaken on an annual basis. Other audits were planned on a 3 year basis, however, if a poor audit result occurred in a particular year then a follow up audit would be carried out during the following year to check that the recommendations had been actioned.

In response to questions from Councillor Langwade on contingency plans if the Internal Audit Manager was absent for a significant period of time, the Audit Manager explained that she did not undertake all the audits personally, but there was an audit team comprising an Internal Auditor and a further post which was currently being recruited to. Contingency arrangements would be

put in place to ensure the necessary work was carried out. The Deputy Chief Executive added that there was budget provision to appoint a contractor if required. He explained that now the Fraud Team was working closely with the Audit Team, the Fraud Investigations Manager acted as deputy to the Audit Manager. Any issues would also be discussed with the Council's External Auditors, Ernst and Young.

Councillor Chenery asked how the anti-social behaviour figures were collated. The Audit Manager explained that the information was provided by the Environmental Health Manager (Community Safety). The Chief Executive explained that the Borough Council worked closely in partnership with the Police who would risk assess any complaints received.

In response to questions from Councillor Gourlay on the measures in place to identify errors in the car parks operation, the Audit Manager explained there were very robust processes in place in this service area and if, for example, any monies went missing, this issue would be quickly identified and appropriate action taken.

RESOLVED: The Committee noted the Strategic Internal Audit Plan for 2014/2017.

ARC86: CABINET REPORT: TREASURY MANAGEMENT 2014/2015

In presenting the report, the Principal Accountant advised that the Council was required to receive and approve a Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy which covered:

- Capital Plans, including Prudential Indicators.
- A Minimum Revenue Provision (MRP) Policy.
- The Treasury Management Strategy.
- An Investment Strategy.

The report covered the requirements of the Local Government Act 2003, the Chartered Institute of Public Finance Accountants (CIPFA) Prudential Code, the Department of Communities and Local Government (DCLG) MRP Guidance, the CIPFA Treasury Management Code and the DCLG Investment Guidance.

It was noted that the report looked at the period 2013/2017 which fitted with the Council's Financial Plan and Capital Programme. The report was based on the Treasury officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury advisor, Capita Asset Services, Treasury Solutions.

The Principal Accountant advised the Committee of the following error in the bottom line of the table at section 3.2 of the report as follows:

Closing CFR

2014/2015 Estimate	£14,360.
2015/2016 Estimate	£14,072.
2016/2017 Estimate	£13,659.

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

- Background.
- Reporting Requirements – CIPFA's Code of Practice, Training, Treasury Management Consultants, Capital Prudential Indicators – 2014/2015 and 2016/2017, Capital Expenditure, the Council's Borrowing Need.
- Capital Plans, including prudential indicators.
- A Minimum Revenue Provision (MRP) Policy.
- The use of the Council's Resources and the Investment Position.
- Affordability Prudential Indicators.
- The Treasury Management Strategy.
- Current Treasury Position – January 2014.
- Prospects for Interest Rates.
- Borrowing Strategy 2014/2017.
- Debt Rescheduling.
- Annual Investment Strategy.
- Creditworthiness Policy.
- Diversification.
- Country limits.
- Investment Returns Expectations.

The Principal Accountant advised the Committee that since the report had been written the Council had received a document from Capita Asset Services entitled Treasury Solutions updated Interest Rate Forecast dated 14 February 2014 and had copies available if Members wished to receive one.

Councillor Collop suggested that the above document be circulated to the Members to which the Principal Accountant agreed to email to the Committee.

Councillor Collop asked how the increase in interest rates would affect the Financial Plan being considered at Full Council on 27 February 2014. In response, the Deputy Chief Executive explained that the predicted increase in interest rates would not change the estimates being presented to Council.

Councillor Humphrey referred to page 33, paragraph 5, last line and commented that reference to the Audit Committee should be amended to read – Audit and Risk Committee.

In response to questions from Councillor Humphrey on what was considered to be adequate training for the Committee, the Deputy Chief Executive advised that previous training sessions had been held for the Committee and future sessions would be planned as appropriate.

Councillor Humphrey referred to the amended figures reported by the Principal Accountant at section 3.2 of the report and suggested the amended figures be also reflected in the table on page 38.

Councillor D J Collis asked how often the merits of the Council's treasury advisors were reviewed. In response, the Principal Accountant explained that the current contract was for 2-3 years and that the Council was 1 year into the contract.

Councillor Morrison asked for clarification of the A ratings as detailed at page 51. The Principal Accountant explained that the higher the A rating was the stronger the credit worthiness of the Bank was. The A ratings were currently set by 3 agencies and a combination of all three was provided by the Council's Treasury Advisors.

In response to questions from Councillor Humphrey relating to the Co-operative Bank, the Principal Accountant advised that the Council had a deposit fund with an overnight arrangement by which the money could be called back the next day. It was noted that the maximum amount held with the Co-operative Bank was £200,000 on a 1 day limit arrangement.

The Chairman, Councillor Beal thanked the Principal Accountant for presenting the report.

RESOLVED: That the Committee support the recommendations to Cabinet as follows:

Cabinet is asked to recommend to Council:

- 1) The Treasury Management Strategy Statement 2014/2015, including treasury indicators for 2014/2017.
- 2) The Investment Strategy 2014/2015.
- 3) The Minimum Revenue Provision Policy 2014/2015.
- 4) Adopt the revised Treasury Management Practices (TMPs).

ARC87: **COMMITTEE WORK PROGRAMME**

The Committee considered its Work Programme.

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

ARC88 **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 25 March 2014 at 6.00 pm** in the **Committee Suite, King's Court, Chapel Street, King's Lynn.**

The meeting closed at 7.32 pm