

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK**AUDIT COMMITTEE**

Minutes from the Meeting of the Audit Committee held on Monday, 11th March, 2019 at 5.00 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ

PRESENT: Councillor G Middleton (Chairman)
Councillors Mrs J Collingham, J Collop, S Dark, P Hodson, C Joyce, C Manning,
Mrs K Mellish, J Moriarty, Mrs E Nockolds, D Pope, T Smith
and T Tilbrook (Vice-Chairman)

Portfolio Holders

Councillor A Beales
Councillor B Long, Leader

Observing:

Councillors I Devereux, P Hodson, Mrs K Mellish, Mrs E Nockolds

Under Standing Order 34:

Councillor C Joyce

Officers:

Lorraine Gore, Executive Director
Ged Greaves, Senior Policy and Performance Officer
Ray Harding, Chief Executive
Matthew Head, Auditor
Matthew Henry, Property Services Manager
Cara Jordan, Legal Representative
Joanne Stanton, Revenues and Benefits Manager

By Invitation:

Mark Hodgson, Ernst and Young – External Auditors

A64 **APOLOGIES**

Apologies for absence were received from Dan Cooke, Ernst and Young and Councillor Mrs S Squire.

A65 **MINUTES**

The minutes of Audit Committee meeting held on 28 January 2019 were agreed as a correct record and signed by the Chairman.

A66 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

A67 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

A68 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

Councillor C Joyce for the Risk Based Verification Policy Update for 2019/2020 and the KLIC Review Report.

A69 **CHAIRMAN'S CORRESPONDENCE**

The Chairman reported that he had received emails regarding the agenda items.

A70 **ANNUAL AUDIT PLAN FOR YEAR ENDED 31 MARCH 2019 - ERNST AND YOUNG, EXTERNAL AUDITORS**

M Hodgson, Ernst and Young presented the Annual Audit Plan and drew the Committee's attention to the following sections of the report:

- Fraud Risk had been divided into the following two areas: Misstatements due to fraud or error and Incorrect capitalisation of revenue expenditure.
- Finance Team Capacity – the Financial Services Manager who had been the key contact for the audit team in previous year would be leaving the council in March 2019 prior to the preparation of the 2018/19 Statement of Accounts.
- Materiality had been set at £1.71 million, which represented 2% of the prior year's gross expenditure on provision of services plus financial and investment expenditure.
- All uncorrected misstatements relating to the primate statements would be reported to the Audit Committee during 2019.
- Value for Money Risks.
- Reduction in External Auditor fees.
- Ernst and Young Audit Team.

In response to a question from Councillor Moriarty regarding specialists for the valuation of land and buildings, M Hodgson explained that the Borough Council had their own internal valuation team and the external auditors used the Borough Council's in house team. If, however, they disagreed with the Borough Council's team, then Ernst and Young could obtain input from third party specialists.

The Chairman, Councillor Middleton thanked Mark Hodgson for attending and presenting the report.

RESOLVED: The Committee received and noted the Annual Audit Plan for year ended 31 March 2019.

A71 **CERTIFICATION OF CLAIMS ANNUAL REPORT 2017/2018**

M Hodgson, Ernst and Young presented the report which summarised the results of the external auditors work on the Borough Council of King's Lynn and West Norfolk's 2017/18 of the housing benefits subsidy claim.

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

- Value of claim presented for certification - £37m.
- The most significant amendment was due to the result of an issued identified by the Council. The council notified the Department of Work and Pensions of an error regarding classification of benefit expenditure on supported housing claims. The external auditors had liaised with the Executive Director Financial Services.
- No materiality was found.

In response to a question from Councillor Tilbrook on the over-claimed subsidy amounting to £191,432, the Revenues and Benefits Manager provided an explanation as to why this technical error had occurred.

RESOLVED: The Audit Committee received and noted the Certification of Claims Annual Report 2017/2018.

A72 **DRAFT CODE OF CORPORATE GOVERNANCE**

In presenting the report, the Senior Policy and Performance Officer reminded Members of the terms of reference of the Audit Committee.

Members were informed that the report provided an updated code of corporate governance for consideration. The Code also informed the preparation of the statutory Annual Governance Statement.

In response to questions from Councillor Moriarty, the Senior Policy and Performance Officer explained that the report outlined revisions to the Draft Code of Corporate Governance which included the minor changes to principles. The Committee was advised that the 2016 framework had 7 principles compares to 6 within the 2012 version.

In response to further questions from Councillor Moriarty relating to cultural changed and how this would be delivered and monitored throughout the Council, the Chief Executive referred to the exchange of emails between Councillor Moriarty and himself. The Chief Executive advised that cultural change would be implemented using a variety of methods, which would evolve over the coming weeks.

RESOLVED: The Committee:

- 1) Reviewed the draft Code of Corporate Governance.
- 2) Recommended the Code for approval by Cabinet.

A73

STRATEGIC INTERNAL AUDIT PLAN 2019/2024

The Audit Manager presented the Internal Audit Strategic Plan 2019/2024 which provided the Committee with the opportunity to review the proposed Strategic Internal Audit Plan for 2019/2024.

Members were reminded that the Audit Manager had to provide an annual internal Audit opinion on the system of internal control to support the Annual Governance Statement.

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

- Purpose of the report.
- Key Issues
- Annual Audit Option.
- Reasons for recommendations.
- Audit Plan for 2019/2020 had been agreed by the Council's Management Team.
- Audit Plan 2020/2024 indicated the work proposed by the Audit Manager for the internal audit function for the next five years which could be subject to change.

The Audit Manager responded to questions relating to:

- Number of contingency days built into the audit plan and how the contingency days were reviewed, which could include bringing forward an audit if considered appropriate.
- Audit of Major Projects
- Regeneration and Economic Development being identifying as medium risk rating.

The Audit Manager to include a title for the number of days spent on each audit in the next report to the Audit Committee.

RESOLVED: The Committee acknowledged the Internal Audit resources and agreed the work planned for 2019/2024.

A74

EXCLUSION OF PRESS AND PUBLIC

The Chairman, Councillor Middleton invited the legal adviser to outline the reasons why the report was exempt prior to the Committee voted

on the resolution to exclude the press and public from the meeting for consideration of the KLIC Review Report.

The legal adviser explained that the information contained in the report was exempt under a number of paragraphs of Schedule 12A as set out below:

Paragraphs 1 and 2

Officers are named and identifiable.

Paragraph 5

The information relates to the financial assistance provided to an organisation.

Paragraph 7

The information relates to the financial affairs of both an organisation and the Borough Council.

Paragraph 9

The information touches on the potential reacquisition of the leasehold interest.

Paragraph 12

The report contains details of legal advice.

The Chairman and Vice-Chairman commented that they did not wish to exclude the press and public which was the general consensus of the Committee. However, upon legal advice as to why the report was exempt, the Committee voted to exclude the press and public.

The Chief Executive proposed that a redacted version of the report be made public as soon as possible after the Audit Committee. The proposal was agreed by the Committee.

RESOLVED: That under Section 100(A)(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 1, 2, 5, 7, 9 and 12 of Part 1 of Schedule 12A to the Act.

A75

EXEMPT REPORT: RISK BASED VERIFICATION POLICY UPDATE FOR 2019/2020

In presenting the report, the Revenues and Benefits Manager explained that the Council introduced Risk Based Verification (RBV) to

assess the risk of fraud and error in new claims for Housing Benefit and Council Tax Support from April 2015. In February 2016 RBV was extended to include changes of circumstance. The report provided an update for the Committee on RBV activity over the past year, and made some minor updates to the RBV policy.

The Revenues and Benefits Manager responded to questions from the Council.

RESOLVED: Members noted and agreed the RBV policy and the RBV procedure updates in the report.

A76

EXEMPT REPORT: KLIC REVIEW REPORT

The Internal Audit Manager presented the report.

The Committee discussed the report.

At the invitation of the Chairman, Councillor Joyce addressed the Committee under Standing Order 34.

In accordance with Standing Order 33.1 – “A Meeting including a Meeting of a Task Group which has sat continuously for three hours shall be adjourned automatically unless the majority of members present vote to continue to sit” . At 8.00 pm, the Committee voted and agreed to continue the meeting until the debate on the report had concluded.

The Chairman, Leader, Portfolio Holder, Chief Executive, Deputy Chief Executive, Internal Audit Manager and Property Services Manager responded to questions and comments from the Committee.

Question 3 – Appendix B

For clarification the response with reference to no charge is in the context of the question and relates to no third party charge. The Council has made it clear that it has its own charge on the leasehold.

RESOLVED: 1) Eastlaw does provide a redacted version of the report for the Council with reasons for redactions, as soon as possible.

2) A cross party working group be established to consider the report, lessons learnt and a way forward and report back to the Audit Committee.

3) The Major Projects Board does establish a report mechanism to enable the Audit Committee to monitor major projects and identify any steps or action required and commence a programme of reviewing each of the large scale projects currently underway.

RETURNED TO OPEN SESSION

A77 **COMMITTEE WORK PROGRAMME 2019/2020**

The Committee noted the work programme.

A78 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will be held on 3 June 2019 at 5.00 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn.

The meeting closed at 8.29 pm