

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

**AUDIT COMMITTEE**

**Minutes from the Meeting of the Audit Committee held on  
Monday, 3rd June, 2019 at 5.00 pm in the Council Chamber, Town Hall,  
Saturday Market Place, King's Lynn PE30 5DQ**

**PRESENT:** Councillor A Dickinson (Chairman)  
Councillors J Collop, S Dark, B Jones, A Kemp, J Lowe, C Manning, J Moriarty,  
D Pope and A Ryves

**Portfolio Holders**

Councillor I Devereux  
Councillor B Long  
Councillor G Middleton, Business Development

**Officers:**

Lorraine Gore, Executive Director/Deputy Chief Executive  
Ged Greaves, Senior Policy and Performance Officer  
Kathy Woodward, Internal Audit Manager

**By Invitation:**

Mark Hodgson, Ernst and Young – External Auditors

A1 **APPOINTMENT OF VICE-CHAIRMAN FOR MUNICIPAL YEAR  
2019/2020**

**RESOLVED:** Councillor J Collop be appointed Vice-Chairman for the  
Municipal Year 2019/2020.

A2 **APOLOGIES**

An apology for absence was received from Councillor Mrs J  
Collingham.

A3 **MINUTES**

The Minutes of the Audit Committee meeting held on 11 March 2019  
were agreed as a correct record and signed by the Chairman.

A4 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

A5 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

**A6 MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

Councillor J Moriarty for all items.

**A7 CHAIRMAN'S CORRESPONDENCE**

There was no Chairman's correspondence.

**A8 REVISED EXTERNAL AUDIT PLAN**

M Hodgson, Associate Partner, Ernst and Young presented the update to the Audit Plan which was presented to the Committee on 11 March 2019.

Members were advised of the details of the risks and provided with an outline of the audit strategy in response to those risks.

M Hodgson highlighted that there would be additional audit fees for the work performed to address these risks which would be discussed and agreed with the Deputy Chief Executive/Executive Director – Finance Services (S151 Officer) and the Public Sector Audit Appointments Ltd.

The Committee was advised that the additional risk and the increased audit work to address it would also impact on the previously agreed audit timetable. To ensure that the Borough Council received the best quality audit from Ernst Young, it is proposed that an alternative timetable is issued for the audit of the 2018/2019 accounts.

In response to questions regarding other loans which the Borough Council had taken out, M Hodgson explained that it was a question for the officers to answer. However, he advised that loans were reported in the Borough Council's Financial Statements and that Ernst and Young could only audit the evidence provided by the Council.

The Deputy Chief Executive advised that all treasury practices were part of the Treasury Management Strategy. It was highlighted that the treasury activity, including details of all loans was monitored and that Monthly Monitoring Reports were circulated to Members. The Committee was advised that the Council used treasury advisers to supplement the Council's in-house team. It was noted that as far as possible the Council ensured that loans were safe and secure.

Following further questions on the due diligence checks undertaken when the Council took out loans, the Chairman explained that within the Treasury Strategy there was clear criteria from which the Council was required to operate from. All loans would also be included in the Council's accounts. The Deputy Chief Executive explained that the treasury practices could be picked up as part of the Audit Committee

training which could be provided in-house or by an external trainer. Members were informed that they could request monitoring reports be presented to the Committee.

In response to questions on the timetable for the Cross Party Working Group, the Chairman explained that a specific timetable would be set out and recommendations made to Cabinet. Once the work of the Cross Party Working Group had concluded, the LGA would undertake the external review. M Hodgson explained that Ernst and Young would issue an opinion on the Financial Statements during August/September and advised that following the completion of both internal and external investigations, the evidence would then be audited and a value for money opinion issued later in the year.

The Deputy Chief Executive provided an explanation as to why the Borough Council would not meet the required deadline and there would therefore be a delay in the publication of its accounts which had been discussed with Ernst and Young. However, a statement would be published on the Borough Council's website on 7 June, the link to the website would be included within the minutes of this evening's meeting.

Councillor Pope commented on the KLIC and software entries on the Corporate Risk Register. M Hodgson advised that Ernst and Young were not in a position to respond to the comment, but explained that the Risk Register was part of the Council's Risk Management Policy to which the external auditors had no input.

**RESOLVED:** The Committee received the revised Annual Audit Plan.

A9

### **CORPORATE RISK REGISTER**

Prior to presenting the report, the Senior Policy and Performance Officer provided background information to the Committee.

The Senior Policy and Performance Officer presented the report which set out the changes to the Corporate Risk Register since the last monitoring report in October 2018. The report gave details of the risks falling into the 'Very High' category and the associated work being progressed to mitigate the effects.

It was highlighted that following the review, the risk scores for 4 entries had been proposed to change. Members were advised that it was also proposed that 4 risks were removed from the register and 2 risks were refocused, details of which were set out in section 2 of the report.

Councillor Dark commented that it would be useful for a record to be kept for up to 12 months of risks removed from the register. The Chairman added that this was a valid point and asked the Senior Policy and Performance Officer if the request could be accommodated and for

what period of time. The Senior Policy and Performance explained that the point raised was workable and could be kept for 12 months.

Following comments on the traffic light system to identify risks, the Senior Policy and Performance Officer outlined the 4 categories of the risk matrix and importance was focussed on prioritising the risks and explained that the colours used in the traffic light system was irrelevant. However, he added that if the Committee wished that alternative colours be used this could be achieved. The Chairman commented that that the register was a combination of risk and likelihood and emphasised the importance of the Council having a contingency plan in place if a catastrophic incident occurred. The Chairman asked the Committee if they were content with the matrix, to which Members agreed. Councillor Dark requested that the register be presented in risk order, high to low as an alternative (not a replacement) of the current register to which the Senior Policy and Performance Officer undertook to do for future reports.

In response to comments on empty retail units in the town centre, the level of risk and initiatives to attract more people into the town, the Leader informed the Committee that he had visited a number of towns in the country and there were a higher number of empty shops in those towns than King's Lynn. The Borough Council had a good record of organising functions, events and festivals to attract visitors to King's Lynn. The Portfolio Holder, Business Development added that he had held a recent meet with the Business Improvement District to discuss what could be done differently to link up with partners in order to increase footfall. The Portfolio Holder, Business Development invited Councillor Collop or any member to forward any ideas for consideration.

Councillor Dark commented that it was a well presented report and asked how the Committee could input into the areas identified. Following further comments from the Chairman, the Senior Policy and Performance Officer explained that the order of the risks presented was in relation to the priority set out in the Corporate Business Plan, but advised that the risks could be presented in score order in future reports.

Councillor Kemp asked if the Borough Council was made aware of larger store closures and if the Council encouraged the management to promote King's Lynn. The Portfolio Holder, Business Development explained that the Council learned of such closures when an article appeared in the press and added that often decisions were made by a national retailer to cease trading and was not related to being based in King's Lynn. Members were informed that the council would look at alternative uses when stores closed and would discuss any feasible ideas with partners to use such spaces.

Councillor Kemp asked for an update on the establishment of a Member Project Board to enable the Audit Committee to monitor projects. The Leader advised that the Officer Major Projects Board

was in operation and that the Member Major Projects Board Terms of Reference would be considered by Cabinet on 18 June 2019.

The Chairman thanked the Senior Policy and Performance Officer for an informative report.

**RESOLVED:** Members considered the contents of the Corporate Risk Register and confirmed agreement with Management Team's assessment of the risks to the Corporate Objectives.

A10 **DRAFT ANNUAL GOVERNANCE STATEMENT COVERING THE 2018/2019 YEAR**

The Senior Policy and Performance Officer presented the report which brought the Council's draft Annual Governance Statement (AGS) 2019 to the Committee for review, challenge and an opportunity to input prior to the document being finalised and considered at the Committee's meeting in July 2019.

The Committee was reminded that the preparation and publication of the AGS was a statutory requirement. It was explained that the document was a public statement that described and evaluated the Council's overall governance arrangements, in particular, how it had complied with its Code of Corporate Governance during a particular financial year.

Members' attention was drawn to the key issues set out in the report.

The Senior Policy and Performance Officer reminded the Committee that the draft AGS provided them with an opportunity to provide input and to identified any areas that has been omitted.

Councillor Moriarty gave an example of when the Council had failed to act as it should by consulting with the public and Parish Councils in relation to the planning sifting panel. The Chairman commented that there was no Parish Council in King's Lynn and therefore it would not be a uniform approach across the Borough.

Councillor Pope highlighted the importance of the Committee receiving training prior to the next meeting when Members would consider the final version of the AGS.

Councillor Dark expressed thanks to the Senior Policy and Performance Officer and other officers for the amount of work undertaken to produce the reports presented to the Committee.

In response to a question on contract management and what the Borough Council achieved, the Senior Policy and Performance Officer undertook to circulate a response to the Committee.

**RESOLVED:** The Committee:

- 1) Reviewed the draft AGS 2019 (as attached) and determined the work undertaken to review the governance arrangements in place during the 2018/2019 year was appropriate.
- 2) A training session be scheduled on the AGS prior to the next meeting on 29 July 2019.

A11 **INTERNAL AUDIT ANNUAL REPORT AND OPINION 2018/2019**

The Internal Audit Manager presented the report which provided the Audit Committee with an overview of the work undertaken by Internal Audit during 2018/2019 and provided the Audit Manager's annual opinion on the system of internal control.

The key issues for consideration were outlined as set out in the report.

In response to a question on which audits had been postponed, the Internal Audit Manager provided an overview of the low risk audit which would be rescheduled.

The Chairman thanked the Internal Audit Manager for the work completed during the year within the constraints presented.

**RESOLVED:** The Committee received the annual audit opinion and noted the work of Internal Audit for 2018/2019.

A12 **INTERNAL AUDIT FULL YEAR PROGRESS REPORT 2018/2019**

The Internal Audit Manager presented the report which provided Members with an update on progress against the Internal Audit Strategic Plan 2018/2019 that was endorsed by the Audit Committee at the meeting on 12 February 2018. The report also provided an update on the fraud work for the first half of the year.

The key issues were outlined as set out in the report.

In response to questions relating to the total fraud and error identified during 2018/2019 and how the errors had occurred, the Internal Audit Manager explained that there was only a part time post designated to identify fraud cases. The officer worked closely with the Revenues and Benefits team to identify cases. The Internal Audit Manager advised that she did not have the information on the 6 cases identified in section 3.1 of the report. The Deputy Chief Executive explained that Members could be informed of the specifics of these cases but could not receive the detail. The requested information could be summarised and attached to the minutes as an appendix.

Following questions from the Committee on commonality, etc of disparate cases the leader commented that the financial value of Housing Benefit and Council Tax errors would always be a higher value than the error identified on the council tax bill.

In response to questions relating to council tax errors and if there was a trend over the past 3 years, the Internal Audit Manager explained that one of the biggest reasons for the error was university students. The Council undertook a number of approaches to make the public aware that they should inform the Council of any change in circumstances.

Councillor Dark referred to the graphs in section 3.1 and 3.4 and what steps the Council took to ensure that officers worked on the correct cases. The Deputy Chief Executive explained that the Borough Council undertook preventative work to prevent fraud and added data matches were investigated. The Norfolk wide Counter Fraud Hub had been established by Norfolk County Council with all 7 Norfolk District Authorities in Norfolk which would result in specific data sets being matched to detect discrepancies.

In response to comments regarding cost benefit analysis being carried out, the Internal Audit Manager explained that the Council did not carry out this exercise as there was only a half of a Full Time equivalent post for fraud work within the authority which provided good value for money.

The Chairman thanked the Internal Audit Manager for a comprehensive report.

**RESOLVED:** Members reviewed the progress against the audit plan and noted the update of the fraud work.

A13

### **AUDIT COMMITTEE EFFECTIVENESS REPORT**

In presenting the report the Internal Audit Manager explained that it was considered good practice for the Audit Committee to present Cabinet with an annual report on the work carried out by the Committee in the preceding year. This report reviewed the work of the Audit Committee during the year 2018/2019 and considered if the Committee had effectively fulfilled its role.

The Internal Audit Manager advised that the report indicated the training received by the Committee in order to be able to fulfil their governance role, the reports received and a summary of the points discussed.

Councillor Dark commented that the report set out a good summary of the work undertaken by the Audit committee during 2018/2019.

**RESOLVED:** That the Audit Committee:

- 1) Considered the content of the report and decided if it accurately reflected the work of the Committee in 2018/19.
- 2) Confirmed their agreement to the Chairman taking the report to Cabinet as evidence that the committee operated effectively. Due to the change in membership of the Committee agreed that the Internal Audit Manager and the Chairman would present the report to Cabinet for the 2018/2019 year.

A14 **APPOINTMENT OF MEMBERS TO SERVE ON THE CROSS PARTY WORKING GROUP WHICH WAS ESTABLISHED DURING 2018/2019**

The Committee considered the report circulated with the Agenda.

The Committee discussed the draft Terms of Reference for the Cross Party Working Group.

The Committee discussed substitutes for the Cross Party Working Group and the general consensus was that substitutes should be discouraged in order to ensure continuity.

**RESOLVED:** 1) The membership of the Cross Party Working Group was confirmed as: Councillors Mrs J Collingham, J Collop, Mrs A Dickinson, S Dark, A Kemp, A Ryves and that the first meeting be convened as soon as possible, late afternoon/ early evening.

2) The Audit Committee agreed the draft Terms of Reference.

A15 **COMMITTEE WORK PROGRAMME 2019/2020**

The Chairman invited the Deputy Chief Executive to explain the reasons as to why the 13 September meeting be rescheduled to 7 October 2019.

**RESOLVED:** That the 13 September meeting be rescheduled to 7 October 2019.

A16 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee would take place on 29 July 2019 at 5.00 pm in the Council Chamber, Town Hall.

**The meeting closed at 7.41 pm**