

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

Minutes from the Meeting of the Audit Committee held on Monday, 7th August, 2023 at 4.30 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ

PRESENT: Councillor A Ryves (Chair)
Councillors S Bearshaw, R Coates, T de Winton, P Devulapalli,
S Everett and B Jones

Portfolio Holder:
Councillor C Morley, Finance

Officers:
Michelle Drewery, Assistant Director – Resources and Management
Team Representative
Ged Greaves, Corporate Performance Manager
Faye Haywood, Internal Audit Manager
Jamie Hay, Senior Internal Auditor
Jo Stanton, Revenues and Benefits Manager
Wendy Vincent, Democratic Services Officer

A91 **APPOINTMENT OF VICE-CHAIR FOR THE MUNICIPAL YEAR 2023/2024**

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RESOLVED: That Councillor S Everett be appointed Vice-Chair for the Municipal Year 2023/2024.

A92 **APOLOGIES**

Apologies for absence were received from Councillors S Dark and D Sayers.

A93 **MINUTES**

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The minutes from the meeting held on 17 April 2023 were agreed as a correct record and signed by the Chair.

A94 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

A95 URGENT BUSINESS UNDER STANDING ORDER 7

There was no urgent business.

A96 MEMBERS PRESENT PURSUANT TO STANDING ORDER 34

There were no Councillors present under Standing Order 34.

A97 CHAIN'S CORRESPONDENCE (IF ANY)

There was no Chair's correspondence.

A98 CORPORATE RISK REGISTER UPDATE (MAY 2023)

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The Corporate Performance Manager provided a brief overview of the Council's risk management framework and approach. Members were reminded that a briefing session had been held on 4 August 2020 for the Committee which had also been recorded and available to view on Mod Gov.

In presenting the report it was explained that the Corporate Risk Register reflected the significant risks and the delivery of the Corporate Business Plan. The Committee was informed that the Corporate Risk Register was reviewed on a 4 monthly cycle. The latest version was reviewed in May 2023. The Corporate Performance Manager advised that during August 2023 a full review would be undertaken by the Senior Management Team.

It was noted that the new Corporate Business Plan would be finalised in late Autumn 2023 and at the same time an in-depth review of the Corporate Risk Register would be undertaken. The Committee's attention was drawn to the appendices attached to the report which had been developed over a number of years. The current Committee may wish to revise these to accommodate their requirements.

The Corporate Performance Manager explained that one to one meetings had been held with Service Managers to develop the Corporate Risk Register, a composite report was then considered and moderated by the Council's Senior Leadership Team prior to a final version being received by the Audit Committee.

With regard to the report being presented, the Corporate Performance Manager explained that there were no new risks, no deletions and no changes to the scores.

The Corporate Performance Manager explained that given the strategic nature of the risks there was a significant amount of mitigation work

required to have an impact on some of the risk scores and a number of the risks were heavily influenced by external factors beyond the direct control of the local authority. It may be that the Council will see the risk scores maintained for a number of months, possibly years under the circumstances.

In conclusion, the Corporate Performance Manager explained that the updates to the risk register was for information only.

The Chair thanked the Corporate Performance Manager for the report and invited questions and comments from the Committee, a summary of which is set out below.

Councillor Bearshaw commented that the format of the risk register was difficult to read and referred to pages 39, 40 – 41 which sets out the current position for each risk, there were quite a lot risks in place for a long time, a lot of mitigation in place and wondered if the format may include the following - unmitigated, current and target score which would make it easier to see the up to date position. Councillor Bearshaw asked if a bowtie analysis would give a picture of the current position and be easier to understand.

In response, the Corporate Performance Manager stated that the comments were useful and referred to Appendix 5 – New Risk Summary Report which was a new summarised version of the Risk Register requested by the former Audit Committee. With regard to the bowtie analysis, this had not been undertaken by the Council before but if Members allowed sufficient time for the suggestion to be worked on, an example could be brought back to a future meeting.

The Chair added that Councillor Bearshaw could assist the Corporate Performance Manager with the proposal outlined above. Councillor Bearshaw undertook to contact the Corporate Performance Manager.

Councillor Jones expressed concern on the extended support for Windows 7 and the cost incurred and asked if all the legacy system relating to Citrix had now been replaced. In response, the Assistant Director, Resources undertook to email a response to the Committee.

In response to comments and questions from Councillor de Winton on the high level of red risks and when the Committee could expect to see a reduced number, at the invitation of the Chair the Portfolio Holder for Finance addressed the Committee and outlined the external factors which the Borough Council had no control over and the difficulties/challenges faced in reducing the number of red areas in the Risk Register.

The Chair, Councillor Ryves commented that there was a lot of information to take in and asked when the Audit Committee could expect to see the following audit reports:

- Role of West Norfolk Housing Company.
- Waste Management Contract.
- Car Parking.

In response, the Senior Internal Auditor advised that the Waste Management Contract and the Housing Companies was scheduled on work plan for the current financial year. With regard to car parking audit had previously been undertaken and was included in the three year rolling programme.

The Corporate Performance Manager reminded Members that an overview of the risk management process was include in the Members' Induction Programme.

In conclusion, the Committee was informed that the Corporate Risk Register continued to be actively monitoring by Management Team on a periodic basis.

RESOLVED: The Committee considered the Corporate Risk Register as at May 2023 and confirm agreement with Management Team's assessment of the risks to the corporate business plan.

A99

YEAR END INTERNAL AUDIT OPINION

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The Internal Audit Manager presented the report and explained that it summarised the work undertaken by the Internal Audit Team.

The Committee's attention was drawn to Section 2.2 of the report and explained that the overall opinion in relation to the framework of governance, risk management and control at the Borough Council was reasonable which was a positive message. It was highlighted that one audit on Procurement and Contract Management had resulted in a Limited assurance grade. Five audits had received the high assurance grading of Substantial.

The Internal Audit Manager provided an overview of the work undertaken by the Internal Audit Team as set out in section 3.3 and the Follow up management actions set out in section 3.4 and Issues for inclusion in the Annual Governance Statement set out at section 3.5 of the report.

The Committee's attention was also drawn to section 5 of the report and the performance indicators set out on page 51 and the Appendices.

The Chair thanked the Internal Audit Manager for the report and invited comments and questions from the Committee, a summary of which is set out below.

In response to a question from Councillor Bearshaw, the Internal Audit Manager confirmed that the three year programme was currently on track and provided an overview on how the annual work programme was put together and that reports would be presented during the year. The Committee was advised that the annual work programme could be amended if required and that the main areas were covered on a three yearly basis.

In response to questions from the Chair, Councillor Ryves on the performance indicator outcomes set out at 5.2.1 – performance indicator outcomes and the percentage of Internal Audit recommendations adopted by Management was 90% and was the 10% being side stepped, the Internal Audit Manager explained that the reason for the target of 90% as a service was suggested controlled improvements for management. The Internal Audit Manager added that on the whole, Internal Audit would want to suggest improvements to management which were pragmatic and that management would be happy to take forward. However, it was noted that there would be occasions when Internal Audit would be unwilling to accept a risk and the service area would be more willing to accept risk and this was the professional judgement of Internal Audit. Members were advised that were those situations occurred any rejected recommendations would come back to the Audit Committee for discussion.

The Senior Internal Auditor explained that the result of 99.17% there were 129 recommendations in the last financial year and one recommendation was not accepted.

Following a question from Councillor de Winton on what happened if a recommendation was not accepted, the Internal Audit Manager explained that this would be discussed with the Audit Committee and advised that there were none to report in the current progress report. However, any rejections would be highlighted to the Audit Committee who could then ask questions and request the relevant officer to attend the Committee or alternatively the Committee could determine to refer the matter to Cabinet.

Following a supplementary question from Councillor de Winton on the values given to the recommendations, the Internal Audit Manager explained that there were three ratings for each recommendation – high, medium and low and that if a low rating recommendation was rejected that would be less of a concern.

In response to a question from the Chair, Councillor Ryves on page 54 and the following audits receiving limited assurance – Alive West Norfolk, Capital Programme and Waste Management, the Audit Manager explained that the Capital Programme would be included in the annual work plan, waste management would be considered during 2023/2024 and Alive West Norfolk would be discussed later in the

agenda as there were outstanding recommendations but highlighted that the annual programme could change.

At the invitation of the Chair, the Portfolio Holder for Finance commented that he had attended a recent webinar and that future auditing arrangements would focus more on value for money and asked if this would be translated into the Council's own Internal Audit Team. In response, the Internal Audit Manager advised that value for money was already a consideration in the work undertaken by the Internal Audit Team.

RESOLVED: The Audit Committee received and approved the Annual Internal Audit Opinion report 2022/23.

A100 INTERNAL AUDIT PROGRESS REPORT

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The Internal Audit Manager explained that the Committee received a six monthly update report.

The report provided an Executive Summary which covered the period 11 November 2022 to 24 July 2023 and provided the opportunity to illustrate the work undertaken and to highlight the significant risks. A further report would be presented to the Committee at the November 2023 meeting.

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

- 2.1 – Significant changes to the approved Internal Audit Plan.
- 4.3 – Period covered by the report – 101 reports finalised from the 2023/2023 Internal Audit Plan and assurances given.
- 4.6 – Position Statement: KLWN2203 Project Management Framework, KLWN2216 Climate Sustainability.
- Appendix 1 – Progress in completing the Agreed Audit Plan.
- Appendix 2 – Audit Report Executive Summaries 2022/23.

In conclusion, the Internal Audit Manager suggested that if the Committee wished to focus on one area it could be procurement.

The Chair, Councillor Ryves thanked the Internal Audit Manager for the report and invited comments and questions from the Committee, a summary of which is set out below.

The Internal Audit Manager responded to questions from the Chair on the position statement and advised that only the Audit Committee was aware of the position statement but if there was a suggestion for all Councillors to have access to the position statements this could be considered.

At the invitation of the Chair, the Portfolio Holder for Finance asked for clarification on what the position statement meant and what were the next steps. The Internal Audit Manager outlined the purpose of a position statement and was used within Internal Audit as it demonstrates good practice as used elsewhere. It was noted that deadlines were given to accepted recommendations but there was no formality for the Internal Audit Team to provide the Audit Committee with the outstanding recommendations list and added that the Internal Audit Team would need time to develop this process and come back and provide an assurance piece of work that gave assurance for that grading over the process. In conclusion, the Internal Audit Manager explained that it was the decision of the Audit Committee if it wished to put more governance around the process.

Following a question from Councillor de Winton on the current position with audit following Covid and what may be needed to catch up, the Internal Audit Manager explained that that the approach had been changed to look at recommendations in other Councils and explained that if a concern was raised it should be considered in the work plan then adjustments could be made but added that in her opinion she was confident that a strategic approach was being taken at the Borough Council.

RESOLVED: The Audit Committee received the Progress Report on Internal Audit Activity.

A101

INTERNAL AUDIT FOLLOW UP RECOMMENDATIONS REPORT

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The Internal Audit Manager explained that the report sought to provide an update on the status of all internal audit recommendations highlighting management responses where any were over the agreed deadline for completion and not yet implemented.

The Internal Audit Manager explained that this was a fairly new report for the Committee and explained that before a report was presented on high level audit recommendations not completed, but not to this degree and that the report represented an improvement and enhancement of the process. The Audit Committee now saw everything that was significant and open at the Council. It was explained that where Internal Audit had started to list the recommendations, there was a higher number and was now pleased to report that 83 had been closed down since the process started which represented a good improvement but needed to keep the pressure on to reduce the number further.

The Internal Audit Manager explained that relevant officers would be requested to submit evidence to the Internal Audit Team to sign off an

outstanding recommendation. The report would be presented to the Committee on a twice yearly basis, but the Internal Audit Manager added that it may need to be presented on a more regular basis but this would have a resource implication.

The Chair invited questions and comments from the Committee, a summary of which is set out below.

In response to questions from Councillor Bearshaw on resolving recommendations, the Internal Audit Manager drew the Committee's attention to Appendix 1 – Status of Agreed Internal Audit Recommendation which could relate to software, developments in service areas, resource, etc. It was explained that the manager's comments provided an idea of what the delays were about. The recommendations would start a discussion for improvement and provide an enhanced control framework.

In response to a question from Councillor Devulapalli on the Service Level Agreement not being signed for Alive West Norfolk, governance, etc, the Internal Audit Manager explained that there were a number of reports and gave an example, of outstanding recommendations were done and a different review to be carried out in a different year some were still open. The Committee's attention was drawn to page 101 any recommendations raised by the Internal Audit Team and details were provided on appendices relating to the 2 high, 1 medium and 3 low risks. It was noted that the low risks were not reported to the Committee.

The Chair, Councillor Ryves commented that a representative from Alive West Norfolk be invited to attend the Audit Committee. The Internal Audit Manager suggested that the Committee tackled the older recommendations first. Councillor de Winton added that these comments and questions should be directed to the Portfolio Holder to address the issues to resolve the recommendations. Councillor Bearshaw concurred with the comments made by Councillor de Winton.

Following a further comment from the Chair, Councillor Ryves on the frequency the report was presented to the Committee, the Internal Audit Manager received it twice yearly and that whilst there were a number of outstanding recommendations there might be a need for the Committee to receive the report more regularly but advised that would mean additional work for officers to obtain updates. The Chair added that it may be useful for the Committee to be kept informed of progress to determine if this was an item to be placed on the work plan.

The Senior Internal Auditor explained that a review on the overdue recommendations agreed had been undertaken in October 2022 and there were 70 low, 67 medium and 2 high overdue.. It was highlighted that when the review was undertaken in May 2023, there were 6 high,

28 medium and 18 low overdue which provided an update on the number of recommendations signed off.

Councillor de Winton commented that it was important for the Audit Committee to be aware of any difficulties resolving outstanding recommendations. The Internal Audit Manager thanked the Committee for their support.

Following a question on information being available on car parking enforcement, the Internal Audit Manager advised that there was no update available but would request the information from the officer and circulate to the Audit Committee.

RESOLVED: The Audit Committee received the Internal Audit Follow Up of Outstanding Recommendations report.

A102 **ANNUAL FRAUD PROGRESS UPDATE 2022/2023**

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The Senior Internal Audit explained that the report was aimed to provide the following in respect of the period April 2022 to March 2023 for areas such as Council Tax, Council Tax Reduction Scheme, Business Rates, Housing Waiting List, Duplicate invoices, False payments, Debtor Tracing activities and Internal Fraud where it arose:

- Progress towards the Anti-Fraud and Anti-Corruption Key Performance Indicators assigned to the Internal Audit Department.
- Statistical information in respect of fraud and error detection for applications and claims received by the Council deemed to have been false, incorrect, or where a relevant change in circumstances has failed to be declared resulting in a financial gain or where an error has been identified and amended.
- Statistical information in respect of traced debts where the Internal Audit Team have been contacted for assistance.
- Statistical information in respect of fraud and error detection for grants retrospectively identified as having been paid to customers/businesses who were not eligible.
- Statistical information in respect of data matching activities undertaken through the National Fraud Initiative (NFI) and Norfolk Fraud Hub.
- A look forward to 2023/24 anti-fraud and anti-corruption related activities.

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

- Figure 1: Fraud and Error Comparison.
- Figure 2: KPI Total Investigations 2022/2023

- Figure 3: Detailed overview of Fraud and Error detected 2022/2023.
- Figure 4: 2022/2023 Identified Fraud/Errors.
- Figure 5: 2022/2023 Debtor/Absconders.
- Figure 6: Project Return on Investment for First 3 Years.
- Figure 7: 2022/2023 Overall Data Matching Processing Progress.
- Section 3: KPI – Financial Investigation Provision.

The Senior Internal Auditor outlined the joint working cases undertaken with other organisations.

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

- Section 5: Overview of Fraud/Error Detection.
- Section 8: Comparison Data to Previous Years and other Local Authorities.
- Section 11: Single Person Discount Project.
- Section 12: Overall Data Matching Activities.
- Section 13: Covid-19 Business Grants.
- Section 14: Other Schemes.
- Section 15: Anti-Fraud and Anti-Corruption Culture
- Section 16: Projects/Future Pipeline of Activities.

The Chair thanked the Senior Internal Auditor for the report and invited questions and comments from the Committee, a summary of which is set out below.

The Senior Internal Auditor responded to questions from Councillor Jones on the different types of data matching exercises undertaken by the Council which went through the National Fraud Initiative which was Cabinet Office led and undertaken on an annual and bi-annual basis which was fed into 300 million figures nationally based on set data specifications.

Councillor Bearshaw asked if there was a reason for the increase in fraud over the last 3 years. In response, the Senior Internal Auditor explained that compared to the 2021/2022 the results for 2022/2023 had seen a significant increase in volume detection which was largely due to the backlog of data matches which accrued during 2020/2021 and 2021/2022 because of the covid-19 pandemic. The position had now been recovered as set out in Figure 4 of the report.

Following further questions from Councillor Bearshaw on the workload increase and staff resource available, the Revenues and Benefits Manager explained that as part of the Norfolk County Council Funding the Borough Council had negotiated funding to support 1 FTE Inspection Officer (additional resource in addition to the current staff level) within the Revenues Department which the Internal Audit Fraud

Service was able to access to assist with the processing of changes/amendments to Council Tax and Business Rates accounts.

Following further comments from the Committee, the Assistant Director, Resources explained that the Council was in the process of recruiting an apprentice to the team to receive training and who would undertake lower administrative tasks in order to free up capacity for officers to carry out high level investigations and progress would be reported back to the Audit Committee.

In response to questions from Councillor de Winton on a financial investment for in-house financial investigator, it was noted that only Norfolk County Council had the in-house provision for a financial investigator across all Norfolk Councils. The Senior Internal Auditor explained that research had been undertaken to look at the available options outside of the Council to buy in the required skills. It was highlighted that the Council was in discussions with outside organisations but currently indicated they were not able to assist at the current time.

In response to further questions from Councillor de Winton on the monies under the Council's guardianship/scale as set out below:

- What was the percentage of leakage?
- How did the Borough Council compare to other local councils of a similar size?
- What was deemed nationally to be an acceptable level of leakage?

The Revenues and Benefits Manager explained that in relation to the Single Persons Discount error there was an error of £200,000 equating to 0.177% from a collectable amount of £112.5m - the Council paid over £80m in business grants and an error identified of £138,000 was very low.

Following further questions from Councillor de Winton on Section 8 and comparison data to other local authorities, the Senior Internal Auditor explained that in his personal opinion Anglia Revenues Partnership was the flagship of fraud investigation in the way there were set up in this area.

Councillor Devulapalli commented it would be useful to have a glossary to explain the acronyms used in the report.

The Senior Internal Auditor explained that fraud awareness e-learning packages had been rolled out to officers in November 2022 and would form part of the Members Induction training following the May elections.

It was noted that the Senior Internal Auditor continued to be a member of the Cabinet Office's Fraud Hub user group.

Following questions from Councillor Coates on debt tracing activities and how much the cost was to recover the debt even if no monies were recovered, the Senior Internal Auditor undertook to circulate the amounts paid back against the traced debts to the Committee. Also that the relevant systems and access and training was being delivered across the organisation and this will continue with a view to reducing the administration and involvement of the Internal Audit service.

At the invitation of the Chair, the Portfolio Holder for Finance commented that as the Borough Council collected taxes including the Police, could pressure be placed upon the police authority to support the Borough Council more. In response, the Senior Internal Auditor explained that the Borough Council had not approached the policy authority for funding but was a valid point to take up.

The Senior Internal Auditor responded to questions from the Chair on the level error identified as there had been no fraud criminal prosecutions.

In response to further questions on the return of investment was measured, the Senior Internal Auditor referred to Figure 1 -The overall fraud and error over the previous 3 years and what was set out in return on investment in Figure 6 was the project on the Single Persons Discount which was funded through Norfolk County Council and was specific to that project and showed that over that period of time had identified the majority of fraud and error set out in Figure 1.

Following a further question from the Chair on return on investment, the cost of the work and income coming back in, the Senior Internal Auditor undertook to email details of the calculation to the Committee.

The Chair referred to 7.2 the total value of £20,266.83 of debt traced and passed back to the relevant departments for recording purposes, which had included one case where an initial advice charge of £2,000 and potential for additional costs to be incurred, the Senior Internal Auditor explained that that was an unusual case and undertook to email the confidential details to the Committee.

The Chair invited the Portfolio Holder for Finance to address the Committee. Councillor Morley commented that it would be useful to have a summary of amount collected and amount of fraud and errors detected and would be useful to know was how much identified, against what, the cost and who was paying for it. The Chair stated this was a point well made.

In response to questions from the Chair on internal audit generating income and providing assistance on a paid basis, the Senior Internal Auditor explained that income generated related to the prevention of Social Housing Fraud Act offences which was tenancy frauds for housing associations on an ad hoc basis when the Council was

approached. The Senior Internal Auditor added that the Council had to be particular with its resources and the main income was generated from in-house work. If there was an additional workload it would be necessary to consider how it would affect the fraud resource but also potentially the internal audit plan resource to deliver the work.

RESOLVED: The Committee noted the update of the anti-fraud and anti-corruption work.

A103 **MEETING START TIMES**

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The Chair invited the Committee to consider the start time of future meetings.

RESOLVED: Future meetings of the Committee to commence at 4.30 pm.

A104 **CABINET FORWARD DECISIONS LIST**

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The Committee noted the Cabinet Forward Decisions List.

The Chair, Councillor Ryves invited the Committee to forward any items for consideration.

A105 **COMMITTEE WORK PROGRAMME**

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The Chair, Councillor Ryves invited the Committee for forward any items for consideration.

A106 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will take place on 18 September 2023 at 4.30 pm in the Council Chamber, Town Hall, King's Lynn.

A107 **EXCLUSION OF PRESS AND PUBLIC**

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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 item of business on the grounds that it involves the likely

disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A to the Act.

A108 **ANNUAL CERTIFICATION REPORT - HOUSING BENEFIT SUBSIDY CLAIM FOR 2020/2021**

The Revenues and Benefits Manager presented the report and responded to questions and comments from the Committee.

RESOLVED: The Audit Committee noted the contents of the report.

The meeting closed at 6.28 pm