

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

AUDIT COMMITTEE

Minutes from the Meeting of the Audit Committee held on Monday, 11th July, 2016 at 6.00 pm in the Committee Suite, King's Court, Chapel Street, King's Lynn

PRESENT: Councillor D Pope (Chairman)
Councillors Mrs J Collingham, J Collop, M Hopkins (Vice-Chairman), P Kunes, C Manning and T Smith

Portfolio Holder:

Councillor N Daubney, Portfolio Holder - Performance

Officers:

Lorraine Gore, Assistant Director
Toby Cowper, Group Accountant
Kate Littlewood, Audit Manager

Under Standing Order 34:

Councillor I Devereux for A21

A14 **APOLOGIES**

An apology for absence was received from Councillor T Wing-Pentelow.

A15 **MINUTES**

The minutes of the Audit Committee held on 20 June 2016 were agreed as a correct record and signed by the Chairman.

A16 **DECLARATIONS OF INTEREST**

Councillor T Smith declared a personal interest in Item 10– Internal Audit Plan 2015/16 as he was in receipt of a single person's council tax discount.

A17 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was none.

A18 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

Councillor I Devereux for A21– Corporate Risk Monitoring Report April 2016.

A19 **CHAIRMAN'S CORRESPONDENCE (IF ANY)**

There was none.

A20 **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 28 June 2016 in respect of the following items:

- Capital Programme and Resources 2015/2019.
- Revenue Outturn 2015/2016.

A21 **CORPORATE RISK MONITORING REPORT APRIL 2016**

The Audit Manager presented the report which set out the changes to the Risk Register since the last monitoring report in October 2015 and gave details of the risks falling into the 'Very High' category and the associated work to mitigate the effects.

The Committee was invited to ask questions/comment on the report, a summary of which is set out below.

Under Standing Order 34, Councillor Devereux asked what reporting process was in place that allowed new risks to be identified. In response, the Audit Manager gave an example of the Kier Refuse and Recycling Contract and explained that high level discussions were currently being undertaken. The Assistant Director added that the Leader and Executive Director were involved in the ongoing discussions and that the Kier contract had been entered in the Corporate Risk Register to ensure contingency plans were in place in order to continue to deliver the service.

In response to further questions from Councillor Devereux on the new risks – Improvements to Heritage Buildings and Conflicting Aims (with partners), the Audit Manager explained that the new Corporate Business Plan included a priority relating to the improvement of the heritage buildings. In order to deliver this priority the Council needed to ensure that there were sufficient funds available if required as part of any grants received.

With regard to the new risk Conflicting Aims (with partners), the Audit Manager explained that working with partners was a growing area of work for the Council and the risk had been added to the Corporate Risk Register to ensure that partners' aims matched the Borough Council's aims.

Following comments on the Kier Refuse and Recycling contract, the Assistant Director reiterated that there were ongoing discussions with senior representatives and if the contract was terminated then it was necessary for the Borough Council to ensure that there was a contingency plan in place.

Following questions on the Council's 5 year Land Supply, the Audit Manager explained that the main issue was that the Planning Inspectorate did not agree that the Council had identified an adequate supply of land designated as housing development land for the next 5 years, and consequently this would lead to development approved in areas that the Council did not want developed. The Assistant Director advised that the Council's 5 year Land Supply had been discussed at previous Panel meetings and undertook to obtain a detailed response from the Executive Director and email the information to the Committee.

In response to comments from the Committee on Business Rates, the Assistant Director explained that there was a 7.5% safety net in the Borough Council's reserves and also advised that the Borough Council was in the Norfolk Pool. It was noted that the Revenues and Benefits Manager undertook monthly monitoring.

The Chairman, Councillor Pope thanked the Audit Manager for presenting the report.

RESOLVED: The Committee noted the report.

A22

INTERNAL AUDIT ANNUAL REPORT AND OPINION 2015/16

The Audit Manager presented the report which provided Members with an overview of the work undertaken by the Internal Audit Section during the 2016/2016 Financial Year and provided an assurance opinion to support the Annual Governance Statement.

The Committee was invited to ask questions/comment, a summary of which is set out below.

Following questions and comments on allotments, the Audit Manager explained that all audits were available on Insite for the Audit Committee to view and the Allotment Audit could be made available to the King's Lynn Area Consultative Committee. The Audit Manager advised that follow-up audits were carried out within 6 months to look at progress made against the actions agreed with Managers.

Following questions on the arrangements with Alive Leisure, the Audit Manager explained that the limited assurance result for the audit of Alive Leisure and Alive Management was due to the new employment and management structures which were still being refined and

embedded, and an Action Plan had been agreed with Managers to resolve the issues.

In response to questions on the Anti-Fraud and Anti-Corruption Procedures, the Audit Manager outlined the work which had been undertaken with the National Fraud Initiative.

Following a question from the Chairman on the CCTV service operated by the Borough Council and the recent change of Manager, the Assistant Director undertook to obtain the information and email a response direct to the Committee.

The Chairman thanked the Audit Manager for the report.

RESOLVED: The Committee noted the report.

A23

INTERNAL AUDIT PLAN 2015/16 - END OF YEAR PROGRESS REPORT

The Audit Manager presented the report which showed the Internal Audit activity against the Strategic Audit Plan and fraud work for the second half of 2015/2016.

The Committee was informed that the Strategic Audit Plan 2015/16 had been endorsed by the Audit and Risk Committee on 23 June 2015 and set out the work Internal Audit expected to carry out during the year. The work complied with the requirement under Section 3 of the Accounts and Audit Regulations 2015 for the Council to

'ensure that it has a sound system of internal audit control which:

- a) Facilitates the effective exercise of its functions and the achievement of its aims and objectives.*
- b) Ensures that the financial and operational management of the authority is effective.'*

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

- Reports issued.
- Work ongoing.
- Other work carried out.
- Changes to the Audit Plan.

Following questions on the tenancy fraud set out at section 5.2, the Audit Manager explained that the full amount of unlawful profits of £3,687.61 was awarded to the Housing Association and that full costs of £1,363.80 were awarded to the Borough Council. The Committee was advised that as a result the tenancy was terminated and the property returned to the Housing Association and new tenants were now occupying the property. The Audit Manager explained that the

Borough Council carried out the first investigation free of charge to demonstrate to the Housing Association what costs could be recovered. However, a charge was made for any additional work carried out by the Investigation Officer. The prosecution details were also published which hopefully would act as a deterrent.

Following a question from the Chairman, the Audit Manager explained that work was ongoing with regard to the Council's contracts. Appropriate officers had received training on managing contracts to ensure that the Borough Council was letting and managing contracts in a consistent approach throughout the authority.

The Chairman thanked the Audit Manager for the report.

RESOLVED: The Committee noted the report.

A24

ANNUAL TREASURY REPORT

In presenting the report, the Group Accountant explained that the Annual Treasury Outturn Report looked backwards at 2015/2016 and covered:

- The 2015/2016 Treasury Outturn.
- Compliance with Treasury Limited.
- Outturn Summary.
- Implications of the Brexit Vote.

Additional supporting information:

- Appendix 1 – Investments as at 31 March 2016.
- Appendix 2 – Borrowing as at 31 March 2016.
- Appendix 3 – Prudential Indicators.
- Appendix 4 – Treasury Benchmarking Group.
- Appendix 5 – The Economy 2015/2016.

The Committee was reminded that the Council's Treasury Policy Statement 2015/2016 was approved by Cabinet on 3 March 2015.

Following comments and questions, the Group Accountant explained that a report would be presented to Cabinet in August regarding risk management in the future.

In response to further questions on the financial market and the importance of the Borough Council keeping control of its investments, the Group Accountant explained that daily reports were received from the Council's Treasury advisers.

RESOLVED: The Audit Committee noted the Actual Treasury Outturn 2015/2016.

A25 **EXCLUSION OF PRESS AND PUBLIC**

RESOLVED: That under Section 100(1)(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.

A26 **INTERNAL AUDIT SERVICE**

The Assistant Director presented the report that outlined the proposal for the provision of a shared Internal Audit Manager between King's Lynn and West Norfolk Borough Council and Fenland District Council.

The Assistant Director responded to questions from the Committee.

RESOLVED: The Audit Committee considered the proposals outlined in the report and supported the preferred option for the provision of a shared Internal Audit Manager with Fenland District Council.

RETURNED TO OPEN SESSION**A27** **COMMITTEE WORK PROGRAMME 2016/2017**

The Committee noted the Work Programme for 2016/2017.

The Chairman invited Members to put forward any items for consideration to be discussed at future meetings.

A28 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will take place on 5 September 2016 at 6 pm.

The Chairman reminded the Committee that there would be a training session regarding the Final Accounts and Statement of Accounts commencing at 5 pm on 5 September prior to the meeting at 6 pm.

The meeting closed at 7.26 pm