

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

AUDIT COMMITTEE

Minutes from the Meeting of the Audit Committee held on Monday, 13th February, 2017 at 5.00 pm in the Committee Suite, King's Court, Chapel Street, King's Lynn

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

Portfolio Holders:

Councillor B Long, Leader
Councillor A Lawrence, Portfolio Holder Housing and Community
Councillor I Devereux, Portfolio Holder Environment

Officers:

Lorraine Gore, Assistant Director
Toby Cowper, Group Accountant
Jo Stanton, Revenues and Benefits Manager
Kathy Woodward, Audit Manager
Sarah Arthurton, Senior Accountancy Technician

By Invitation:

Sappho Powell and Dan Cooke from Ernst & Young, External Auditors

The Committee held a minutes' silence for the late Councillor Ian Gourlay

A71 **APOLOGIES**

Apologies for absence were received from Councillors J Collop and T Tilbrook.

A72 **MINUTES**

The Minutes of the Audit Committee held on 28 November 2016 were agreed as a correct record and signed by the Chairman.

A73 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

A74 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

A75 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

A76 **CHAIRMAN'S CORRESPONDENCE (IF ANY)**

There was none.

A77 **MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS COMMITTEE RECOMMENDATIONS/REQUESTS**

None.

A78 **TREASURY MANAGEMENT TRAINING**

The Committee received a presentation from Chris Scott, Head of Public Sector Treasury Advisory Team (a copy of the presentation is attached to the minutes).

Chris Scott responded to questions from the Panel on the following:

- Disparity in borrowing v investment.
- Business Rates settlement.
- Potential future increase in interest rates.
- Council investments.

The Chairman, Councillor Pope thanked Chris Scott for the presentation.

A79 **TREASURY MANAGEMENT STRATEGY 2017/2018**

In presenting the report, the Group Accountant reminded the Committee 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 (MRP) Policy.
- The Treasury Management Strategy.
- An Investment Strategy.

In response to a question regarding the Council's investments and credit ratings, the Group Accountant explained that if the credit rating was considered to be risky then the Council would immediately withdraw from short term investments. However, with long term investments the Council would remain tied in to a period. It was

highlighted that the Borough Council monitored its investments on a daily basis and diversified its cash whenever possible.

Following further questions on investment and why local authorities ratings were unlimited, the Group Accountant explained that local authorities received a high credit rating as it was unlikely a Council would become bankrupt and therefore posed no credit risk.

In response to a question on the period length of longer term loans, the Group Accountant explained that when the loans were taken out originally for a 70 year period (2007 – 2077), with a lenders option whereby the lender could choose to withdraw a loan after a 10 year period if it so wished or increased the interest rate and given the Borough Council the option to withdrawn.

RESOLVED: The Committee support the recommendation as set out below.

Cabinet is asked to recommend to Council:

- 1) The Treasury Management Strategy 2017/2018, including treasury indicators for 2017/2021.
- 2) The Investment Strategy 2017/2018.
- 3) The Minimum Revenue Provision Policy 2017/2018.
- 4) Adopt the revised Treasury Management Practices (TMPs).

A80

EXTERNAL AUDIT PLAN

S Powell from Ernst & Young presented the Audit Plan for the year ending 31 March 2017. She explained that the purpose of the report was to provide the Committee with a basis to review Ernst & Young's proposed audit approach and scope for 2016/2017 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

The Committee was advised that the plan summarised Ernst & Young's initial assessment of the key risks during the development of an effective audit for the Council, and outlined their planned audit strategy in response to those risks.

Members' attention was drawn to the following sections of the Audit Plan:

- Financial Statement Risks – 3 significant risks: Non-Current Assets, Risk of Fraud in revenue recognition and Risk of management override.
- Other Financial Risks as detailed on page 73 of the Agenda.
- Value for Money Risks.
- Materiality.
- The External Audit Team.
- Timetable of Communication, Deliverables and Insights.

The Chairman, Councillor Pope thanked S Powell for the report and invited questions from the Committee.

There were no questions.

RESOLVED: That the Audit Plan be agreed.

A81

CERTIFICATION OF ANNUAL CLAIMS AND RETURNS ANNUAL REPORT 2015/2016

S Powell presented the report which summarised Ernst & Young's work on certification and assurance for the 2015/2016 claims.

The Committee was informed that one error had been detected during the audit.

S Powell explained that Ernst & Young had checked and certified the housing benefits subsidy claim with a total value of £40,213,082 and met the submission deadline. A qualification letter was issued to the Department of Work and Pensions (DWP) and it had been confirmed that there were no outstanding issues relating to the claim, details of which were included in section 1 of the report.

It was noted that for 2015/16 the level of error identified was lower than that identified in 2013/14. Ernst & Young were therefore proposing to reduce the fee by £1,046 to take account of the reduced amount of audit work that needed to be completed due to the reduction in errors found.

In response to questions regarding Universal Credit, S Powell explained that the proposed changes would take time to implement but would not take place in the foreseeable future. The Revenues and Benefits Manager outlined the changes and timescales for different categories of claimants, but reiterated that it would be several years before Universal Credit was fully in operation.

Councillor Manning commended the excellent work undertaken by officers in that only one error had been detected when dealing with over £40m housing benefits.

In response to questions on the only error found, S Powell explained that Ernst & Young undertook their work on a sample basis and explained that the reduction in fee was subject to PSAA agreement.

RESOLVED: The Certification of Claims and Returns Annual Report 2015/16.

A82

STRATEGIC INTERNAL AUDIT PLAN 2017/2022

On behalf of the Committee, the Chairman, Councillor Pope thanked Kate Littlewood, Audit Manager, who would shortly be retiring for her valuable work during her time at the Borough Council and wished her well for the future.

K Woodward passed Kate's thanks onto the Committee and was disappointed that she was not able to be present for her last meeting this evening.

K Woodward presented the Audit Plan for the forthcoming five years and which covered areas of the Council where it had been recommended that an audit be undertaken.

In response to a question regarding Appendix 1, K Woodward explained that the end column related to the number of days allocated to the audit. The number of days assigned to an audit was based on the risk rating.

It was noted that currently, there was a vacant post in the Internal Audit Team which was being recruited to, therefore some of the work identified in the proposed plan could be brought forward.

K Woodward undertook to circulate the information which had not been included with the table on page 107 of the report.

RESOLVED: The Committee acknowledged the Internal Audit resources and agreed with work planned for 2017/2022.

A83

REVIEW OF ANTI FRAUD AND ANTI-CORRUPTION STRATEGY, WHISTLEBLOWING POLICY AND FRAUD RESPONSE PLAN

K Woodward explained that there were no major policy changes in the three reports and undertook to circulate the documents which included the tracked changes to the Committee.

There were questions or comments from the Committee.

The Chairman, Councillor Pope thanked K Woodward for attending the meeting and that the Committee looked forward to receiving further reports from her at future meetings.

RESOLVED: The Committee agreed the changes to the Anti-Fraud suite of documents and recommend approval to of the revised documents to Cabinet.

A84 **EXCLUSION OF PRESS AND PUBLIC**

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 paragraphs 1, 2 and 3 of Part 1 of Schedule 12A to the Act.

A85 **EXEMPT REPORT: RISK BASE VERIFICATION POLICY UPDATE**

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

RESOLVED: Members noted the Risk Based Verification (RBV) updates in the report.

RETURNED TO OPEN SESSION

A86 **COMMITTEE WORK PROGRAMME 2017/2018**

The Committee noted the Work Programme 2017/2018.

The Chairman, Councillor Pope informed the Committee that at the next meeting on 30 May 2017, a training session would be held "How an Audit is undertaken."

A87 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will take place on Tuesday 30 May 2017 at 5 pm.

The meeting closed at 6.40 pm