

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

AUDIT COMMITTEE

Minutes from the Meeting of the Audit Committee held on Monday, 28th October, 2019 at 5.27 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ

PRESENT:

Councillors Mrs A Dickinson (Chair),
Mrs J Collingham, J Collop, B Jones, A Kemp, C Manning and A Ryves

Officers:

Tina Stankley
Ruth Wilson
Kathy Woodward, Audit Manager

A29 **APOLOGIES**

Apologies for absence were received from Councillor B Long and D Cooke, Ernst and Young.

A30 **MINUTES**

The minutes from the meeting held on 29 July 2019 were agreed as a correct record and signed by the Chairman.

A31 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

A32 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

A33 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

A34 **CHAIR'S CORRESPONDENCE**

There was no Chair's correspondence.

A35 **ANNUAL TREASURY OUTTURN REPORT 2018/2019**

In presenting the report, the Interim Financial Services Manager (s151 Officer) reminded the Committee that the Council had formally adopted the Chartered Institute of Public Finance and Accountancy's Code of Practice on Treasury Management (2009) and remained fully compliant with its requirements.

It was explained that the Annual Treasury Outturn Report looked backwards at 2018/2019 and covered:

- The 2018/2019 Treasury Outturn.
- Compliance with Treasury Limits.
- Outturn Summary.

Members were informed that the additional supporting information was also attached to the report:

- Appendix 1 – Investments as at 31 March 2019.
- Appendix 2 – Borrowing as at 31 March 2019.
- Appendix 3 – Prudential Indicators.

It was noted that the Council's Treasury Policy Statement 2018/2019 and Annual Treasury Strategy Statement 2018/2019 were approved by Council on the 12 April 2018, amendments approved by Cabinet on the 21 August 2018.

The Interim Financial Services Manager (s151 Officer) responded to questions and comments, a summary of which is set out below.

In response to a question on borrowing, the Interim Financial Services Manager (s151 Officer) explained that the borough council both borrowed from and loaned money to other councils.

Following questions and comments on the impact from Brexit, particularly at a local level, the Interim Financial Services Manager (s151 Officer) explained that it was unlikely that there would be an impact on the borough council at a local level and added that the Council's Treasury Management Advisers did not have an answer on the likely impact of Brexit due to all the unknowns around it.

In response to questions relating to the Capital Financing Requirement (CFR), the Interim Financial Services Manager (s151 Officer) explained that the Council did not have a set upper limit, but that borrowing would be controlled on the basis of affordability. She also undertook to amend the figures set out in the table at paragraph 5.11 on page 13 and the same table in Appendix 3 on page 26. An email would be sent to the Committee detailing the correct figures.

Following questions on European funding, the Interim Financial Services Manager (s151 Officer) explained that the Borough Council did not receive European funding.

In response to a question on the amount of growth the Council received from business rates, the Interim Financial Services Manager (s151 Officer) advised that she did not have the information to hand, but would email a response to the Committee.

The Chair referred to para 9.4 and the average rate of return of 0.70% and no comparative figures being available, etc. The Interim Financial Services Manager (s151 Officer) referred the Committee to Appendix 1 which gave more detail about the Council's investments as at 31 March 2019, but acknowledged that it didn't have the comparatives for the previous year. The Chair added that it was difficult to reconcile the figures without knowing the average rate of return for the previous year. The Interim Financial Services Manager (s151 Officer) explained that the details would be available in the 2018 Outturn report, but did not have them to hand. The Chair suggested that comparative figures be included in future reports which was agreed by the Interim Financial Services Manager (s151 Officer). The Interim Financial Services Manager (s151 Officer) also undertook to email the average rate of return of the previous year to the Committee.

The Chair referred to Appendix 2 of the report and commented that it would be useful to include details on the types of loan, for example, was it fixed rate, variable, Lender Option Borrower Option (LOBO), etc. The Interim Financial Services Manager (s151 Officer) undertook to include the requested details in future reports.

The Chair thanked the Interim Financial Services Manager (s151 Officer) for attending and presenting the report.

RESOLVED: The Audit Committee noted the Annual Treasury Outturn position for 2018/2019.

A36

MID YEAR REVIEW TREASURY REPORT 2019/2020

The Interim Financial Services Manager (s151 Officer) presented the Mid-Year Review Report which had been prepared in compliance with CIPFA's Code of Practice, and covered the following:

- A review of the Treasury Management Strategy.
- The Council's capital expenditure (prudential indicators).

The Interim Financial Services Manager (s151 Officer) responded to questions, a summary of which is set out below.

Councillor Ryves referred to section 4.2.1 of the report and commented that the figures quoted in the right hand column did not appear to be correct. The Chair commented that the error appeared to follow through the tables set out in the report. The Interim Financial Services Manager (s151 Officer) apologised for the error and undertook to email the correct figures to the Committee.

Clarification was sought on the exempt schemes set out in 4.2.1 of the report. The Group Accountant explained that the exempt schemes contained sensitive commercial information and therefore could not be published in the Capital Programme. The Chair commented that a line for exempt schemes and an explanation was required as to why it was not included in the capital programme. The Group Accountant explained that when the Capital Programme was presented to Cabinet, it was presented in two sections – projects in the capital programme and the exempt schemes were presented separately.

In response to a question as to where KLIC was detailed in the report, the Interim Financial Services Manager (s151 Officer) explained that KLIC had not been included in the report because the loan to KLIC was not a treasury management investment and so was not covered in this report.

In response to a question on PFI schemes, the Interim Financial Services Manager (s151 Officer) confirmed that the council did not have any PFI schemes.

Following questions relating to external debt/borrowing set out on page 31, and how the borrowing figures linked together, the Interim Financial Services Manager (s151 Officer) provided an overview of the borough council's debt and referred the Committee to Appendix 3 which set out the Council's borrowing portfolio as at 30 September 2019.

The Chair referred to Appendices 2 and 3 and commented that the details requested on the date loans were taken out, repayment had not been included and added that it would be useful to have the tables set out in the same format as the Annual Treasury Report. The Interim Financial Services Manager (s151 Officer) undertook to include the information requested in future reports.

The Chair drew the Committee's attention to section 4.3.1 and the Council's borrowing requirement in 2019/20 being £16,373 to fund the capital programme. In response, the Interim Financial Services Manager (s151 Officer) explained that external borrowing would not necessarily be required and that internal borrowing could be an option dependent upon the Council's cash flow position and that other options may be used e.g. if capital receipts were received they could be used to fund projects. It was highlighted that if some projects were rephased then this would have an impact on the funding.

The Chair suggested that in order for Members to understand the Council's cash flow and the difference between revenue, capital expenditure and income that cash flow be the subject of a future training session for the Committee, which was agreed by those present.

In response to the format of the report specifically 6.1 and page 42 being difficult to understand and whether a simpler and more logical way could be used to report the information. The Interim Financial Services Manager (s151 Officer) explained that this was a standard template from the Treasury Management Advisors which would ensure that reporting complied with the requirements of the Code of Practice on Treasury Management and that the Council had used it and adapted it accordingly.

The Chair explained that not all new Councillors had a full understanding of what was within the Terms of Reference of the Audit Committee and referred to the Annual Strategy Statement and commented that it appeared that some information was missing and explained that advice was therefore required. The Chair undertook to discuss with the Interim Financial Service Manager (s151 Officer).

The Chair thanked the Interim Financial Services Manager (s151 Officer) for attending and presenting the report.

RESOLVED: The Audit Committee reviewed and noted the report and the treasury activity and recommend that Cabinet note the report.

A37

INTERNAL AUDIT HALF YEAR PROGRESS REPORT

The Audit Manager presented the report which provided Members with an update on progress against the Internal Audit Strategic Plan 2019/2020 that was endorsed by the Audit Committee at the meeting on 11 March 2019. The report also provided an update on the fraud work for the first half of the year.

The Committee was informed that the work of the Internal Audit team throughout the year was directed towards compliance with this requirement as well as aiming to add value to the Council's services by identifying opportunities to improve efficiency and effectiveness.

Members were reminded that the Audit Committee Terms of Reference required it to monitor the delivery of the internal audit activity.

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

- Monitoring Report.
- Audits which had been completed during the first half of 2019/2020.
- Audit which were currently ongoing and will be reported to the Committee in the next progress report.
- Other work undertaken by the Internal Audit Team during the first half of the year.
- Work planned for October 2019 to March 2020.
- Investigations Work April 2019 to September 2019.

The Chair commented that some Councillors were experiencing IT problems accessing Insite. In response, the Internal Audit Manager advised that Councillors should contact IT to resolve any outstanding issues. The Internal Audit Manager explained that a more sensible way for Members to access internal audit documents would be via a team folder.

In response to questions on recommendations from audits not being met, the Internal Audit Manager explained that the Audit Committee could request the officer to attend the Committee to clarify the reasons why. It was highlighted that follow up reports to audits were undertaken after six months to analyse progress made, if the required progress had not been reached, then this would be reported to Management Team to resolve, but highlighted that often there were legitimate reasons as to why the required progress had not been met.

The Chair referred to the list of audits completed and commented that it would be useful if the frequency of audits could be included. In response, the Internal Audit Manager explained that this information was included in the Annual Audit Plan which set out the 5 year strategy including the frequency of audits. The Annual Audit Plan was approved by the Audit Committee in March 2019.

Following questions on other audit work undertaken by the Internal Audit Team, the Internal Audit Manager provided an explanation on the Water Management Alliance audit and the Checks on the Cost of Living and Performance Related Pay calculation spreadsheets.

In response to a question on the two duplicate invoices totalling £10,563, the Internal Audit Manager undertook to find out the details and email a response to the Committee.

In response to a question from the Chair on specific officers authorised to order goods to a certain limit, the Internal Audit Manager explained that there was a range of authorisation limits from £1,000 to £100,000.

Reference was made to the completed audit on Child Protection and the 1 high risk recommendation. The Internal Audit Manager explained that the high risk recommendation had now been reviewed and completed.

The Chair thanked the Internal Audit Manager for presenting the report.

RESOLVED: The Committee were asked to review the progress against the audit plan and to note the update of the fraud work.

The Chair provided a verbal update to the Committee, a summary of which is set out below:

- First meeting of the Member Major Projects Board held on 9 October 2019 attended by Councillors Dickinson, Kemp and Ryves.
- Officer Major Projects Board had been set up in October 2018.
- Member and Officer Board Terms of Reference were in the early stages.
- The Assistant Director, Regeneration and Property had provided an overview of how both boards were evolving.
- Next meeting of the Member Major Projects Board would be held on 31 January 2020.
- Outline received of current major projects which provided Members with an understanding of the ongoing and potential new projects.

Councillor Ryves commented that it would be useful for the Member Major Projects Board to receive the Officer Board agendas and minutes as meetings occurred, rather than altogether just prior to the Member Major Projects Board. In response, the Chair undertook to discuss with the relevant officer.

Councillor Kemp stated that there was a significant amount of information presented the Member Major Projects Board and it would have been helpful to have received the information in a systematic table and that a risk register should be available for each major project. In response, the Chair advised that it was not appropriate to raise the question at this meeting, but there would be an opportunity to provide input when the Committee received the report of the Cross Party Working Group.

A39 **CABINET FORWARD DECISIONS LIST**

The Committee noted the Cabinet Forward Decision List.

A40 **COMMITTEE WORK PROGRAMME 2019/2020**

The Chair outlined the proposed amendments to the work programme as set out below:

- KLIC report to be split into three separate reports.
- Special Meeting to be held on 20 November to consider the draft report on KLIC from the Cross Party Working Group.
- 27 January 2020 – Committee to receive the report and recommendations from the Cross Party Working Group on Outside Bodies.

- 11 March 2020 – Committee to receive the report and recommendations from the Cross Party Working Group on the Terms of Reference of the Major Projects Boards.

RESOLVED: The Committee approved the amendments to the work programme as set out above.

A41 **DATE OF NEXT MEETING**

A special meeting of the Audit Committee to consider the report from the Audit Committee Cross Party Working Group – KLIC would be scheduled.

The meeting closed at 7.15 pm