

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

Minutes from the Meeting of the Audit Committee held on Monday, 22nd November, 2021 at 3.00 pm in the Assembly Room, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ

PRESENT: Councillor J Lowe (Chair)
Councillors Mrs J Collingham, P Gidney, C Morley (Vice-Chair), J Rust and A Ryves

Portfolio Holder:

Councillor Mrs A Dickinson, Finance (via Zoom)

Officers:

Michelle Drewery, Assistant Director - Resources

Jamie Hay, Senior Internal Auditor

Faye Haywood, Internal Audit Manager

Carl Holland, Financial Services Manager

Wendy Vincent, Democratic Services Officer

A44 APOLOGIES

Apologies for absence were received from Councillors J Collop, C Manning and M Storey.

A45 MINUTES

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The minutes of the Audit Committee held on 12 October 2021 were agreed as a correct record and signed by the Chair.

A46 DECLARATIONS OF INTEREST

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There were no declarations of interest.

A47 URGENT BUSINESS UNDER STANDING ORDER 7

There was no urgent business.

A48 MEMBERS PRESENT PURSUANT TO STANDING ORDER 34

There were no Members present under Standing Order 34.

A49 **CHAIR'S CORRESPONDENCE**

There was no Chair's correspondence.

A50 **INTERNAL AUDIT HALF YEAR PROGRESS REPORT**

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The Internal Audit Manager presented the report and drew the Committee's attention to the following sections:

- 1 – Introduction.
- 2 – Significant changes to the approved Internal Audit Plan.
- 3 – Progress made in delivering the agreed Audit work.
- 4 – The outcomes arising from the work undertaken by the Internal Audit Team.
- Appendix 1 – Progress in completing the agreed Audit work.
- Appendix 2 – Audit Report Executive Summary.

In response to a comment from Councillor Morley on the email he had sent to the Internal Audit Manager, the Internal Audit Manager explained that she would respond to the specific questions via email direct to Councillor Morley.

Following a question from Councillor Ryves, the Internal Audit Manager explained that other council owned companies Alive West Norfolk had not been included in the Audit Plan. Planning for the next Audit Plan would take place in December and January when views would be sought from Management Team and the Audit Committee.

The Internal Audit Manager/Assistant Director, Resources responded to questions and comments from the Committee in relation to:

- Substantial assurance level given to the Economic and Development Audit Report. In view of the comments made by the committee, the Internal Audit Manager undertook to look at the concerns raised and present an update to a future meeting to Councillor Morley.
- Purpose and role of the Internal Audit Team.
- Town Investment Plan and Borough Council underwriting projects. The Assistant Director, Resources explained that there was a requirement for a detailed business case to be prepared as part of the submission of the application.
- Guildhall and importance of legal advice being obtained prior to a decision being taken. The Assistant Director, Resources advised that to date no Cabinet decision had been made on how to fund this commitment and it would be necessary for the proposal to go through the democratic decision making process.

- Role of the Officer Member Major Projects Board, Member Major Projects Board and the audit function.
- Criteria for appointing consultants.

Appendix 1 – Progress in completing the Agreed Audit Work

- Number of days delivered against the plan and any required actions taken for problems identified.
- Covid-19 business grants.
- Play areas – replace word cancelled with defer.
- ICT wireless networks.
- Key Recommendations - consider a full review of brochures, guides and leaflets the Council produced for tourism purposes and invest into the continued growth of the digital tech platforms to promote West Norfolk to a wider audience.

Following comments from the Committee, the Internal Audit Manager advised that notes had been taken on the issues raised by Members and consider these for planning discussions starting in December 2021 – January 2022.

The Chair thanked the Internal Audit Manager for the half-year progress report.

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

A51

FRAUD AND CORRUPTION HALF YEAR PROGRESS REPORT 2021/2022

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The Senior Internal Auditor explained that the report aimed to provide Members with an update on total fraud and error detected in respect of applications and claims received by the Council, debtor tracing activities and progress on National Fraud Initiative (NFI), FraudHub and Single Person Discount exercises/projects currently being undertaken for the period April 2021 to September 2021.

The Committee was informed that the report also provided details of the Council's RIPA activities (for the period 2020/21) and set out the pipeline of upcoming projects and anti-fraud and anti-corruption related activities that would be undertaken/ progressed in the second half of the year and beyond.

The Senior Internal Auditor outlined the key issues set out in the report.

The Senior Internal Auditor responded to questions in relation to:

- Comparison of number of fraud cases detected for the current financial year with the previous year.
- Overall performance and likelihood of number of fraud and error cases rising since the previous year. The report only covered the half year progress report and it was explained that there were a number of factors, but that the Internal Audit Team was currently working through the cases, together with data matching exercises and the single persons discount project with Norfolk County Council.
- Consultancy engagement with the Revenues dept for business grants and recently finalised a report which identified a total of 42 different types of risks relating to the schemes within the first national lockdown end of March to September 2020. A number of cases required further checks. It was noted that the Revenues and Benefits Manager had submitted a claim to Central Government for the additional work undertaken.
- Total number of cases pursued compared that the national figures.
- Criteria used to identify a fraud suspect – business or individual.
- Tools/criteria used by the council to check payment of business grants during the Pandemic to provide assurance.

In response to questions regarding investigation of fraud comparisons with other Norfolk Authorities and other councils outside of Norfolk, the Senior Internal Auditor undertook to look at the other Norfolk District Councils and councils outside of the Borough and circulate the information to the Audit Committee as soon as practicably possible.

The Chair thanked the Senior Internal Auditor for the half-year progress report.

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

A52

PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) REVIEW **INTERNAL AUDIT FUNCTION**

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In presenting the report, the Internal Audit Manager explained that she had carried out an assessment of the Internal Audit function against the Public Sector Internal Audit Standards (PSIAS) to highlight any areas where improvements may be required. The exercise was necessary for the Internal Audit Manager to determine how much reliance can be placed on the assurances coming from the function, which will be used to determine the annual opinion on the Governance, Risk Management and Control at the Council.

The Internal Audit Manager outlined the key issues, current position and any suggested improvements in the report circulated with the Agenda.

The Internal Audit Manager explained that the identified areas would continue to be evaluated and risk assessed and if it became apparent it was necessary to undertake work on a specific area, a report would be presented to the Audit Committee.

With regard to Follow Up Audits, the Internal Audit Manager explained that currently the committee did not receive information on outstanding recommendations/deadlines, therefore going forward a paper would be presented to each meeting of the committee highlighting any action required.

The Internal Audit Manager/Financial Services Manager responded to questions in relation to:

- ICT Wireless Networks – it was explained that a review of network security should be rescheduled with dedicated IT resources. The committee was informed that the council would need to obtain specialist IT skills and the available options were outlined to provide the council with assurance in relation to IT risks.
- Asset Register – it was explained that the audit had been deferred to 2022/2023 following a discussion with Management Team. It was noted that work had been undertaken with Finance and Property Services and were currently looking at a revised approach for the 2020/2021 Statement of Accounts.
- Importance of keeping Internal Plan together to understand how it related to the corporate risk register. It was explained that this was work in progress.
- Appendix 2 – follow up audits being all graded as substantial. It was explained that the appendix represented audits which had outstanding recommendations.
- Gradings/assurance given when completing an audit. It was noted that a review was currently being undertaken.
- Number of days allocated to Alive West Norfolk, comparison of tables in this report and the internal audit half year progress report.

Councillor Morley stated with regard to the summary of recommendations 5 and 6 he would like to see a separate paper and early as possible prior to the 2022/2023 financial year what the risk profile looked like. In response, the Internal Audit Manager provided an overview on how the corporate risk register would feed into the internal audit plan and if required build in improvements which would be a separate piece of work to be undertaken.

Councillor Collingham commented that it would be useful for the Committee to be presented with a summary which contained

information on what the whole process entailed what it sought to achieve and headline information.

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

RESOLVED: The Audit Committee considered the findings within the attached report and endorsed the improvements where appropriate.

A53 **FUTURE OF THE AUDIT COMMITTEE CROSS PARTY WORKING GROUP - REPORT TO FOLLOW**

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The Chair advised that the Monitoring Officer was unable to attend this meeting and the report would therefore be deferred to the next meeting scheduled for 13 January 2022.

A54 **TREASURY OUTTURN REPORT 2019/2020 AND 2020/2021**

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Prior to presenting the report for 2019/2020, the Financial Services Manager advised of the following error:

- 5.8 – table, column headed 31 March 2020 Actual - £22,885 should be in brackets.

The Financial Services Manager presented the reports for 2019/2020 and 2020/2021 which had been circulated with the Agenda.

The Financial Services Manager responded to questions in relation to:

2019/2020 report

- 7.1 – Investment Strategy and control of interest rate risk. Members were informed that the council received advice from the Treasury advisers, Link.
- 9.3 – Resources as at 31 March 2020.
- 9.4 – Investments and the average rate of return to the council.

Councillor Ryves commented that he would like to see a statement to reconcile the return on investments. In response, the Financial Services Manager explained that the council had a list in excess of 30 investors within the last 12 months and each one provided a different rate of return and advised that this information could be added to the investments held by the Council.

2020/2021 report

- Return on investments – it was explained that this was revenue budget.
- Capital Expenditure.
- Capital Financing Requirement.
- 5.11 Actual financing costs as a proportion of net revenue stream, including return on investments compared to income stream.

The Chair thanked the Financial Services Manager for presenting the 2019/2020 and 2020/2021 reports.

RESOLVED: The Audit Committee noted the annual treasury outturn position for 2019/2020 and 2020/21.

A55

APPOINTMENT OF EXTERNAL AUDITOR

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The Financial Services Manager presented the report which set out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/2024.

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

The Financial Services Manager and Assistant Director, Resources responded to questions in relation to:

- Option for the Borough Council to independently source its own external auditor.
- National scale of audit fees
- Benefits of the Council accepting the Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors. It was noted that 98% of councils signed up to the PSAA in the previous tender process.

In response to questions from Councillor Ryves regarding the current external auditors being appointed as the Council's external auditors for the five-year period from 2023/2024, the Financial Services Manager explained that this was not guaranteed. The Assistant Director, Resources explained that PSAA tried to geographically align auditors for specific areas and gave an example of Ernst Young appointed to Norfolk. The Committee was informed of the efficiencies and economies of scale of the current Norfolk arrangement with regard to the Pension Scheme.

The Chair thanked the Financial Services Manager and Assistant Director, Resources for presenting the report and responding to questions from the Committee.

RESOLVED: The Audit Committee recommended that Council accepted Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

A56 **BUDGET MONITORING REPORT - AUGUST 2021**

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The Financial Services Manager presented the Budget Monitoring Report for August 2021 and highlighted the following sections of the report:

The Financial Services Manager and Assistant Director, Resources responded to questions in relation to the Pay Award and future monitoring. The Committee was advised that when the report was written the local pay award had not been taken into account due to delays in agreement of the national pay award had not been agreed. Members were informed of the time difference between the national pay award and the local agreement and whilst the council operated a local agreement, it does take into consideration outcomes of the national agreement.

The Chair thanked the Financial Services Manager and Assistant Director, Resources for the budget monitoring report and responded to questions from the Committee.

RESOLVED: The Committee noted the Budget Monitoring Report for August 2021.

A57 **CABINET FORWARD DECISIONS LIST**

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The Committee noted the Cabinet Forward Decisions List.

A58 **COMMITTEE WORK PROGRAMME 2021/2022**

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The Assistant Director, Resources informed the Committee that the external auditors continued to undertake the audit for the Statement of Accounts 2019/2020 and had planned a three week period to undertake this work but had been unable to conclude the audit due to resource issues. It was highlighted that resource had now been scheduled to complete the required work prior to Christmas, the Committee was therefore advised that it was unlikely that the final

Statement of Accounts for 2019/2020 would be presented to the January meeting.

A59 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will take place on 13 January 2022 at 4.30 pm in the Assembly Room, Town Hall, Saturday Market Place, King's Lynn.

The meeting closed at 5.20 pm