

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

**Minutes from the Meeting of the Audit Committee held on Monday, 27th November, 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, S Dark, T de Winton, P Devulapalli,  
S Everett (Vice-Chair) and B Jones

**Portfolio Holders:**  
Councillor C Morley, Finance

**Under Standing Order 34:**  
Councillors A Beales, M de Whalley and T Parish (in person)  
Councillor R Coates (Zoom)

**Officers:**  
Michelle Drewery, Assistant Director Resources/Management Team Representative  
Jamie Hay, Senior Internal Auditor  
Carl Holland, Financial Services Manager  
Wendy Vincent, Democratic Services Officer

A122 **APOLOGIES**

There were no apologies for absence.

A123 **MINUTES**

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The minutes of the Audit Committee held on 18 September 2023 were agreed as a correct record and signed by the Chair.

A124 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

A125 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

A126 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

Councillors A Beales, R Coates, M de Whalley and T Parish were present under Standing Order 34.

A127 **CHAIR'S CORRESPONDENCE (IF ANY)**

There was no Chair's correspondence.

A128 **INTERNAL AUDIT HALF YEAR PROGRESS REPORT**

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The Senior Internal Auditor presented the report and reminded the Committee that it received updates on progress made against the Annual Internal Audit Plan. The report formed part of the overall reporting requirements to assist the Council in discharging its responsibilities in relation to the internal audit activity.

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

- Key Issues.
- Significant changes to the approved Internal Audit Plan.
- Progress made in delivering the agreed audit work.
- The outcome arising from Internal Audit's work.
- Appendix 1 – Progress in completing the Agreed Audit Work.
- Appendix 2 – Executive Summaries 2023/2024.

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

In response to questions from Councillor Dark on the summary of key recommendations for starters, movers and leavers, the Senior Internal Auditor explained that there had been no previous audit undertaken and that the overall objective of the audit was to gain assurance that appropriate controls were in place in respect of systems and procedures.

The Committee was advised that there were different processes to follow when commencing employment with the Borough Council and it was important that the appropriate procedures was in place for the first day of employment. The Senior Internal Auditor explained that when an employee left the Council it was important and needed to be timely. Ideally the access to systems should be removed on the first working day after the employee left the organisation.

Councillor Dark commented on the starters, movers and leavers on the two medium priority recommendations and an overarching procedure document to be introduced and to review the list of system administrator recipients.

In response to questions from Councillor Jones on reviewing/removing all permissions to systems when an employee left the authority, the Senior Internal Auditor explained that a discussion was held with the appropriate line manager to review/remove permissions. The Committee was informed that a wider decision on licensing requirements would be needed to determine if additional licences should be purchased if employees transferred to another service area, etc.

In response to questions from Councillor de Winton on conducting a full review of assets and equipment across the organisation, the Senior Internal Auditor explained that currently there was a lack of information recorded in some instances and it had been recommended the asset register be updated where required which would also include ICT Loan agreements within the review process.

Following further questions from Councillor de Winton, the Senior Internal Auditor explained that equipment issued to individual employees varied from role to role.

In response to questions from Councillor Bearshaw as to why the Organisational Development – Training audit had been deferred, the Senior Internal Auditor explained that the audit would not be undertaken during the current financial year. The audit had been deferred to 2024/2025 so that assurance could be gained from work shortly being undertaken corporately.

Following further questions from Councillor Bearshaw on whether the audits were based on foundation topics within ISA 9001, the Senior Internal Auditor explained that the audit plan was undertaken in compliance with the Public Sector Internal Audit Standards (PSIAS).

Councillor Bearshaw asked if the Council had a spreadsheet which showed trends. In response, the Senior Internal Auditor explained that the Council had a Corporate Risk Register and that Internal Audit maintained a Fraud Risk Register and an Operational Risk List and monitored the performance indicators to highlight risks any trends.

Councillor Everett asked what was the feasibility to circulate the leavers list on a more frequent basis to ensure that staff leaving the Council did not have access to any systems. In response, the Senior Internal Auditor explained that this was under discussion yet no decision had yet been made on the frequency.

Councillor Dark commented that Councillors had discussed the staff pay award including the challenges to recruit and retain employees at the Corporate Performance Panel. Councillor Dark outlined the content of the report for the previous year and provided an overview of his understanding. Councillor Dark then referred to the report now being considered by the Audit Committee and added that the Council

needed to tighten up on the processes on employees leaving the Council. In conclusion, Councillor Dark advised that he would be taking up this important issue elsewhere within the Council.

In response to questions from Councillor de Winton on the Freedom of Information (FOI) requests, the Council's policy specifically in relation to dealing with vexatious requests, the Senior Internal Auditor explained that the Council had taken the decision to transfer to an in-house team (the Corporate Governance Team) in order to centralise the process. The central team received requests and would check if it was vexatious. It was highlighted that the number of FOI requests received suggested that they were not vexatious.

Under Standing Order 34, Councillor Coates addressed the Committee and referred to page 21 – 129 days of programmed work had been completed, resulting in 43% of the total Internal Audit Plan for 2023/24 and asked how the remainder of the audits would be completed during the current financial year. In response, the Senior Internal Auditor advised that the progress report was up to 30 September 2023 and that in his opinion, Internal Audit were on track to complete the remaining work within the current year.

At the invitation of the Chair, Councillor Morley, Portfolio Holder for Finance addressed the Committee and stated that in relation to the comments made above by Councillor Dark on the staff pay award and challenges faced in recruiting and retention of staff that there was no direct link to the processes for starters and leavers and added that if this was to be explored further that this should be done through the Human Resources professionals and not the audit process.

The Chair, Councillor Ryves commented that it would be more appropriate for these points to be considered by the Corporate Performance Panel. Councillor Dark agreed.

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

A129

### **2023/2024 FRAUD AND ERROR HALF YEAR PROGRESS REPORT**

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The Senior Internal Auditor explained that the report was aimed to provide the following in respect of the period April 2023 to September 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 arises:

- 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 for the remainder of the financial year's anti-fraud and anti-corruption related activities.

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

- Key Issues.
- Fig 1 – Fraud and Error comparison year to date against previous years.
- Report overview.
- Key Performance Indicators.
- Fig 2 – KPI Target
- Fig 3 – Overall investigation processing progress.
- Overview of Fraud/Error Detection.
- Detailed Overview of Fraud/Error Detection.
- Other Identified Errors
- Debtor Tracing Activities.
- Data Matching Activities.
- Single Persons Discount Project.
- Overall Data Matching Activities.
- Covid-19 Business Grants.
- Other Schemes.
- Anti-Fraud and Ant-Corruption Culture.
- Projects/Future Pipeline of Activities.

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

The Senior Internal Auditor clarified the definition of fraud and advised that there had been no serious incidents of fraud and this was a compliance approach.

Councillor Bearshaw drew attention to Figure 1 – fraud and error comparison year to date against previous years and commented that it would be useful to see the previous four years data illustrating increases. In response, the Senior Internal Auditor explained that

generally there was a rise in the number of cases due to the increase in population within the Borough but not to the level reported and added it would be necessary to look at the data to determine why it had happened. The Senior Internal Auditor highlighted the importance of undertaking the exercise and added that the data set out at Figure 1 helped to identify fraudulent/errors in activities and advised that efficiencies had been found in the process.

Councillor Dark asked the following questions:

- 1) Where the Borough Council was the organisation that draws money in for other preceptors, for example, Parish Councils, Norfolk County Council and the Police, what was the risk and had this been included in the total figures reported?
- 2) Fraud and Error – relating to both external and internal threats and what was the Council's system/process on the protection of fraud included in the report or subject to a separate report.

The Senior Internal Auditor responded to the above questions as set out below:

- 1) The Senior Internal Audit explained that Figure 1 illustrated the overall value of precepts including council tax, etc The last time the figures were checked - 6.91% the Borough Council received from the council tax bill included precepts paid to the Internal Drainage Board. The Committee was informed that the figures in the report were the full total encompassing council tax, benefit values and anything else identified.
- 2) If whistleblowing cases were brought to the attention of Internal Audit the cases would be included in the report. However, if cases were dealt another way, for example by a service area the figures would not be included in the report. The Committee was given an example of one incident relating to invoice payments which came out of data matching activities and explained there had been incidents when Internal Audit had been involved in whistleblowing activities and undertaken an investigation.

At the Invitation of the Chair, Councillor Morley, Portfolio Holder for Finance addressed that Committee and commented that the report was unclear and that an explanatory note setting out the fraud and error analysis would provide a better understanding for Councillors. In response to the comments made by Councillor Dark, the Borough Council had paid out £80.1m Covid-19 business grants and only a small proportion of error had been detected. In conclusion, Councillor Morley commented that it would be beneficial if the report could be set out on laymen's terms.

In response to questions and comments from Councillor Devulapalli on the time and cost incurred in relation to chasing and recovery of debt, the Senior Internal Auditor explained that Internal Audit did its best to trace figures to departments and any debt identified would be passed back to the relevant department(s) for discussion and Internal Audit

would provide the tools/software for those departments to undertake the required work themselves. It was noted that the Council would not spend more than it would recover.

Councillor Devulapalli asked if in the vast majority of cases was it that there were multiple people in households. In response, the Senior Internal Auditor explained that it was often more than one person in a household and outlined the other streams of work being undertaken in relation to the SPD project being funded by Norfolk County Council. The Senior Internal Auditor invited Councillor Devulapalli to contact him to discuss further details following the meeting.

In response to a question from Councillor de Winton, the Senior Internal Auditor explained that the total cost of fraud related spend during 2022/2023 was £34,051.67 to Internal Audit.

Following questions from the Chair on the net cost of fraud detected, the Senior Internal Auditor drew the Committee's attention to Figure 5 which set out a detailed overview of fraud and error detected in 2023/2024.

In response to questions from Councillor Jones on data matching, staff resource required and progress made to save time, the Senior Internal Auditor outlined the work undertaken by the Council and highlighted that the authority used the data to go through a sifting process where data was being matched. Spreadsheets were used to liaise with the revenues systems, etc to carry out the required checks which resulted in a more manageable workload.

Councillor Bearshaw referred to sections 3.6 and 4.1 and asked if there was any direct correlation. In response, the Senior Internal Auditor explained that this allowed the Council to look at other projects and be more proactive with fraud but would need to try and devise a plan to see what it might look like but this would take time to develop.

The Portfolio Holder, Finance responded to questions from Councillor Bearshaw on the Internal Drainage Board figures not being consistent as discussed at the June meeting and advised that it was his error.

Under Standing Order 34, Councillor Coates addressed the Committee and referred to a recent published article reporting on West Suffolk Council be defrauded £52,000 and asked if further information was available. A link to the article is set out below:

<https://www.bbc.co.uk/news/uk-england-suffolk-67530165>

The Senior Internal Auditor explained that the Council ensured that staff were aware in their day to day role of the issues set out in the article through training and awareness and advised that he would highlight this incident in the next staff briefing to be scheduled.

The Senior Internal Auditor responded to questions from the Chair on the current level and future forecast of fraud and error detected.

The Chair drew attention to 13.2 – significant increase in the number of matches received from HMRC. The Senior Internal Auditor advised that this would require review and sifting. The Committee was informed that that Internal Audit had assessed the operational delivery plan and had factored in additional days for fraud in 2024/2.. Training had been rolled out across the internal audit team to undertake the required duties.

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

A130

### **TREASURY MANAGEMENT QUARTER 2 REPORT 2023/2024**

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The Financial Services Manager presented the report and reminded the Committee that the Council had formally adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021) that remained fully compliant with its requirements. One of the primary requirements of the Code was receipt by Council of a quarterly Review Report.

The Committee was informed that the Quarterly Review report 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).
- An economic update for the first six months of 2023/2024.

Additional Supporting Information:

- Appendix 1 – Economic Update.
- Appendix 2 – Interest Rates forecasts.
- Appendix 3 – Prudential and Treasury Indicators for 2023/2024.
- Appendix 4 – Investment Portfolio.
- Appendix 5 – Approved countries for investment.

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

The Financial Services Manager provided clarification on how internal borrowing was defined.

Councillor Dark informed the Committee that the Corporate Performance Panel had previously received a presentation on the



Council's investments and referred to a recent article in the media on ethical investments by another local authority and asked how regularly the council reviewed its investments noting that the last report had provided reassurance to Councillors at that point.

The Financial Services Manager explained that Appendix 5 set out the approved countries for investments as at 30 June 2023 and was presented to Cabinet and Full Council in February of each year. The Committee was advised that the list could be reviewed at any time but normally practice was on an annual basis.

In response to questions from Councillor de Winton relating to Environmental Social Governance Reporting, the Financial Services Manager explained this was not currently set out as a priority in the Council's Treasury Management Strategy. The Assistant Director, Resources commented that this was a hot topic for local authorities but was not a mandatory requirement at this time. ESG was in its early days of development and the Council would continue to monitor the guidance and take into account any actions which may be required in future reports. The Assistant Director, Resources advised that clarification would be sought on the timeframe and be brought back through the correct democratic process.

Under Standing Order 34, Councillor Beales commented the Council was responsible to the taxpayer for public money and this responsibility did not change whatever the political leadership may be.

Councillor Dark added that these were comments made by Councillors under the previous Administration relating to investments using a lot of public money that may be placed in companies/areas that were questionable. Officers had provided a satisfactory response at that time but it may be prudent for the Council to undertake another review of the investment portfolio.

At the invitation of the Chair, the Portfolio Holder for Finance advised that ESG was mentioned at the previous meeting and the Assistant Director, Resources had provided an explanation.

The Portfolio Holder for Finance drew the Committee's attention to page 66 and the capital expenditure budget approved by Council in February 2023 £58m and the actual spend as at 30 September 2023 £12m and commented that the Council was continuously overestimating the capital programme and asked if there was headroom to review the programme. In response, the Financial Services Manager confirmed the figures as set out in the report and advised that the increased frequency of reporting on a quarterly basis would enable the performance indicators to be picked up to see if there was an increase, exceedance or lower spend than that forecast.

The Financial Services Manager responded to questions from the Chair on the income received on the Council's investment portfolio.

In response to a question from Councillor Bearshaw, the Financial Services Manager confirmed that the Council's maximum borrowing limit was £81m.

The Financial Services Manager and Assistant Director, Resources responded to further questions from Councillor Bearshaw on the funding of the Capital Programme.

**RESOLVED:** The Committee noted the report and the treasury activity.

A131

**BUDGET MONITORING REPORT 2023/2024 - SEPTEMBER 2023  
QUARTER 2**

[Click here to view a recording of this item on You Tube](#)

The Financial Services Manager presented the Budget Monitoring Report for Quarter 2 and drew the Committee's attention to the following sections of the report:

- Summary.
- Revenue Budget 2023/2024.
- Turnover Savings.
- Opportunities/Risks.
- Grants.
- Capital Budget and Spend 2023/2024.
- Reserves.
- Age Debt Analysis.
- Council Tax and Business Rates.
- Treasury Management 2023/2024.
- Prudential Indicators.
- Loans.
- Investments as at 30 September 2023.
- Conclusion.

The Financial Services Manager highlighted the following sections of the report as set out below:

- Table at page 71 which set out the contribution from General Fund Reserves – the original budget was £2,641,520 and the forecast at 30 September 2023 was £3,145, 260 and a variance of £503,749 was reported. The Financial Services outlined the reasons why a variance was being reported.
- Capital Programme original budget £67m, the spend as at 30 September 2023 £12.7m and a revised capital programme of £36m.
- Sect 2.4 Risk and Opportunities.
- Appendix A – Budget Monitoring Variances 30 September 2023.

- Appendix B – Capital Programme.
- Appendix C – Age Debt Analysis 30 September 2023

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

Councillor Morley, Portfolio for Finance responded to questions from Councillor Dark in relation to the expenditure on the Council's car parks and gave assurance that the Car Parking Strategy would be taken into account following receipt of the consultant's report.

The Financial Services Manager responded to questions from Councillor de Winton on the reduced level of planning income and volumes of planning applications received.

The Portfolio Holder, Finance responded to questions from Councillor de Winton on the planning income, solar panels and solar parks.

The Assistant Director, Resources advised that the planning income was expected to be £2m and it was around £1.1- £1.2 expected to achieve and there had been some turnover savings which had offset it.

The Portfolio Holder for Finance commented that there was an issue with planning revenue and also with Alive West Norfolk in the consuming levels of energy at the three swimming pools which presented a big risk to the Borough Council.

The Assistant Director Resources and Financial Services Manager responded to questions from the Chair in relation to the deficit of West Norfolk Property and the arrangement for the leases as an interim measure until the later part of 2024 when the loan facility would be in place.

The Chair referred to the electricity costs incurred and asked if the figures included leisure. The Financial Services Manager commented that he echoed the comments made by the Finance Portfolio Holder in relation to the costs incurred heating three swimming pools. The Committee was informed that there was pressure on the Council last year to increase the budget for utility costs and that consumption figures were being monitored. The best forecast was therefore £2.1m an increase of £90,000.

The Assistant Director responded to questions from Councillor Bearshaw on the Council's build and construction programme and loan arrangements available to the Council.

Following questions from Councillor Bearshaw on net zero and price increases, the Assistant Director, Resources referred to the Refit programme which looked at both air and ground source heat pumps and an increase had been factored in to the utility costs with the

potential to make a saving in the longer term. The Assistant Director explained that the utilities were procured and forward purchased under a contract with Crown Commercial Services and have indicated that it is expected that the cost would reduce by 30% from 1 April 2024.

Under Standing Order 34, Councillor Beales addressed the Committee and in relation to the comments made by the Portfolio Holder for Finance that the capital programme was optimistic but the build was not market driven and was an accelerated construction programme and that there was no issue with immediate funding. Currently 74 properties were available to provide rental income and some revenue would also be generated from the Florence Fields development.

The Financial Services Manager responded to questions from the Chair on the Council's 100% subsidiary companies and how the deficits were reflected in the budget and accounts.

**RESOLVED:** The Committee noted the contents of the Budget Monitoring Report of 30 September 2023.

A132 **CABINET FORWARD DECISIONS LIST**

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The Committee noted the Cabinet Forward Decisions List.

A133 **WORK PROGRAMME 2023/2024**

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The Committee noted the work programme.

In response to a question from Councillor Dark on whether the External Auditor's report would be available for the additional meeting on the 12 December, the Assistant Director, Resources provided an update and outlined the reasons why it would not be presented to the Committee on 12 December. A discussion would therefore be held with the Chair and the Vice Chair to decide if the 12 December meeting should be cancelled. The Committee was advised that a meeting would be scheduled with the Council's Statutory Officers and a follow up letter expressing the Council's concerns be sent to the Minister, Local Government. The draft follow up letter would be discussed with the Chair. A separate letter would also be sent to the local MP setting out the Council's concerns.

A134 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will take place on 12 December 2023 at 4.30pm in the Council Chamber, Town Hall, King's Lynn.

**The meeting closed at 6.53 pm**