

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

**AUDIT COMMITTEE**

**Minutes from the Meeting of the Audit Committee held on Monday, 5th September, 2016 at 6.00 pm in the Committee Suite, King's Court, Chapel Street, King's Lynn**

**PRESENT:** Councillor D Pope (Chairman)  
Councillors J Collop, P Gidney, P Kunes, C Manning, T Smith and  
Councillor Tim Tilbrook

**Officers:**

Lorraine Gore, Assistant Director  
Toby Cowper, Group Accountant  
Kate Littlewood, Audit Manager  
Vanessa Dunmall, Performance and Efficiency Manager  
Emma Duncan, Monitoring Officer

A29 **APPOINTMENT OF VICE-CHAIRMAN**

**RESOLVED:** Councillor T Tilbrook be appointed Vice-Chairman for the meeting.

A30 **APOLOGIES**

Apologies for absence were received from Councillors Mrs J Collingham, N Daubney and B Long.

A31 **MINUTES**

The minutes of the Audit Committee held on 11 July 2016 were agreed as a correct record and signed by the Chairman.

A32 **DECLARATIONS OF INTEREST**

None.

A33 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was none.

A34 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

A35 **CHAIRMAN'S CORRESPONDENCE (IF ANY)**

There was none.

A36 **MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS COMMITTEE RECOMMENDATIONS/REQUESTS**

None.

A37 **STATEMENT OF ACCOUNTS 2015/2016**

(a) Audit Results Report ISA 260 for the year 31 March 2016

M Hodgson presented the ISA 260 for the year ended 31 March 2016 as circulated with the Agenda and drew the Committee's attention to the following sections of the report:

- Executive Summary.
- Responsibilities and purpose of the External Auditor's Work.
- Financial Statements Audit.
- Value for Money.
- Appendix A – Uncorrected Audit Differences.
- Appendix B – Corrected Audit Differences.
- Appendix C – Independence.
- Appendix D – Auditor Fees.
- Appendix E – Request for a Management Representation Letter.

In response to questions from the Committee, M Hodgson explained that no Value for Money audit could score higher than adequate.

Following further questions from the Committee, M Hodgson informed Members that in comparison with other councils, the Borough Council was in the top upper quartile, had produced a good set of draft accounts and had no significant matters to report.

The Committee was informed of the 2017/2018 Deadlines as set out below which would present a logistical challenge and therefore co-operation and joint working would be required:

- 31 March – Year end.
- 31 May – Draft accounts published.
- 31 July – Final accounts published.

Following questions on the Uncorrected audit differences – for a 99 year lease, the Assistant Director provided background information on the Borough Council's decision to take the £400,000 as a total receipt

rather than bringing it in at £5,000 per annum. With regard to the Business Rates Appeal, the Assistant Director explained that the Borough Council had provision of £2.8m in the Appeals Fund which had been considered prudent and would therefore not be adjusted. Members were provided with background information on the success rate of GP surgeries appeals which had been included in the previous year's accounts.

The Chairman thanked Ernst and Young for attending the meeting.

(b) Statement of Accounts 2015/2016 and Report to those charged with Governance (ISA 260)

Prior to the formal Committee meeting, Members had received a training session on the Statement of Accounts from the Group Accountant, which had included a detailed discussion and opportunity for Members to ask questions.

The Committee received the Statement of Accounts which was the statement of the final accounts set out in a format which included the Council's balance sheet and associated notes.

**RESOLVED:** The Audit Committee

- 1) Considered the comments of the Auditor in the ISA260.
- 2) Approved the Statement of Accounts for 2015/2016.
- 3) The Chairman to sign the Statement of Accounts and the Letter of Representation on behalf of the Borough Council of King's Lynn and West Norfolk.

A38

**ANNUAL GOVERNANCE STATEMENT**

The Performance and Efficiency Manager explained that the Annual Governance Statement was prepared in accordance with the Accounts and Audit Regulations 2015 and was linked closely to the Statement of Accounts.

The Committee was informed that historically, Full Council had approved the Annual Governance Statement, once the Audit Committee had reviewed the content and recommended approval.

However, it was explained that this year the approval mechanism had been changed, and the Audit Committee now approved the Statement of Accounts. It had therefore been determined that the Audit Committee should also approve the Annual Governance Statement.

The Performance and Efficiency Manager and Audit Manager responded to questions from the Committee on the purpose, compilation and monitoring of the Annual Governance Statement.

Following questions on feedback received from the public, the Performance and Efficiency Manager explained that the Annual Governance Statement was published on Borough Council's Website and the public could access the document. The Council had a duty to publish the Annual Governance Statement which was published alongside the Statement of Accounts. The Performance and Efficiency Manager advised that no comments had previously been received from Members of the Public.

**RESOLVED:** The Audit Committee:

- 1) Confirmed that the 2016 Annual Governance Statement properly reflected the risk environment and that actions required to improve it were in hand.
- 2) Approved the 2016 Annual governance statement and confirmed that the chairman of the Audit Committee should sign accordingly.

A39

#### **MONITORING OFFICER REPORT 2015/2016**

The Monitoring Officer presented the Annual Report for 2015/2016 and highlighted that during the year between April 2015 and March 2016 a total of 27 complaints had been received and that in a significant proportion of those cases there was either no breach identified or the Members concerns were offered guidance and assistance. No cases had been referred for investigation.

The Committee was advised that Members had regularly sought advice in order to comply with the Code of Conduct, particularly in relation to declaring interests under the Code.

In conclusion, the Monitoring Officer explained that there were no issues of concern to report and had therefore given the External Auditors assurance that the systems of internal control were adequate and effective during the year between April 2015 and March 2016.

**RESOLVED:** The Committee noted the Monitoring Officer Annual report for 2015/2016.

A40

#### **AUDIT COMMITTEE EFFECTIVENESS REVIEW**

The Audit Manager presented the report which reviewed the work of the Audit Committee during the year 2015/2016 and considered if the Committee had effectively fulfilled its role.

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

- 1.13 Have all Member's Skills and experiences been assessed and training given for identified gaps? - (partial). It was explained that an analysis of skills and experiences was not carried out, However, a training programme had been designed to cover all previously identified training needs and Members could request specific training if necessary. No further action was required.
- 1.15 Are Members sufficiently independent of other key committees of the Council? (partial). It was explained that during 2016/2017 the score would be record as being fully compliant because under the new scrutiny arrangements the Audit Committee became an independent Committee from June 2016.
- 4.6 Is there appropriate co-operation between the internal and external auditors? – (partial). It was explained that Ernst and Young received all Internal Audit reports, but adopted a substantive audit approach and perform their own tests.
- 6.4 Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit? – (non-compliant). It was explained that Any Other Business was not an agenda item but any urgent business was accepted under Standing order 7. No further action was required.
- 6.6 Does the Audit Committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented? (Non-compliant). It was explained that there was a corporate template and therefore no further action was required.

The Audit Manager responded to questions from the Committee on the work undertaken by the Borough Council's Audit Team and the approach adopted by Ernst and Young.

Following questions on the Council's biggest risk, the Assistant Director explained that there were policies in place with regard to Treasury. The Borough Council had also appointed external Treasury Advisers, VAT Advisers. It was noted that Borough Council Officers also attended regular training courses. The Audit Manager added that a significant risk was how the Council would deal with the budget cuts in the future with a reduction in available resources.

The importance of regular training sessions for the Audit Committee was recognised and would be scheduled appropriately. The Assistant Director commented that it was appreciated that the Statement of Accounts was a complex technical document and could be divided into sections for further training sessions. It was suggested that the NCC Officer be invited to attend a future meeting to give a presentation on the Pension Fund.

**RESOLVED:** that the Audit Committee:

- 1) Considered the content of the report and decided it accurately reflected the work of the Committee in 2015/2016.
- 2) Confirmed their agreement to the Chairman taking the report to Cabinet as evidence that the Committee operated effectively.

A41

**CHANGES TO ARRANGEMENTS FOR APPOINTMENT OF EXTERNAL AUDITORS**

The Audit Manager presented the report which summarised the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/2018 audits.

Members were reminded that the decision would have to be made by Full Council in accordance with Schedule 3, Local Audit and Accountability Act 2014 and arrangements would need to be implemented in time to make a first appointment by 31 December 2017.

The Audit Manager outlined the four options available and invited the Committee to determine their preferred approach.

In response to questions from the Committee regarding Option 3, the Audit Manager explained that the Borough Council would need to inform the Public Sector Audit Appointments Ltd (PSAA) by January 2017 of its intention to opt-in to the procurement process. It was explained that a tender process would be undertaken to appoint the External Auditors and highlighted that whichever option the Borough Council chose, the Audit Committee would not be involved in the selection process. The Audit Manager advised that it was unlikely that the contract would be for more than 5 years and the cost would be incorporated within the External Auditor's audit fees.

The Assistant Director explained that the total cost of the External Auditor's fees had decreased over the past 3 to 4 years. However, it was noted that the previous external audit contracts had included Grant Certification work that audited the benefits administered on behalf of the Department for Work and Pensions (DWP). The new contracts would only cover the audit of the accounts. However, arrangements for the Grant Certification work were being developed by the DWP with the support of PSAA.

**RESOLVED:** The Committee recommended Option 3: The Council to indicate its intention to "opt-in" to the procurement process by Public Sector Audit Appointments Ltd (PSAA), as the national Sector Led Body.

A42 **COMMITTEE WORK PROGRAMME 2016/2017**

The Committee noted the Work Programme for 2016/2017.

The following subjects were identified for future training sessions:

- Presentation from NCC Officer on the Pension Fund (be invited to attend the meeting on 17 October 2016).
- Statement of Accounts – on a section based approach.
- Non-Current Assets.
- Collection Fund.

A43 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will take place on 17 October 2016.

**The meeting closed at 7.15 pm**