

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

AUDIT COMMITTEE

**Minutes from the Meeting of the Audit Committee held on
Monday, 30th July, 2018 at 5.00 pm in the Council Chamber, Town Hall,
Saturday Market Place, King's Lynn PE30 5DQ**

PRESENT: G Middleton (Chairman)
Councillors Mrs J Collingham, J Collop, P Kunes, C Manning, T Smith, T Tilbrook
and A White

Portfolio Holders: Councillors P Hodson and B Long

A19 **MINUTES**

RESOLVED: The Minutes of the meeting held on held on 30 May 2018 were approved as a correct record and signed by the Chairman.

A20 **DECLARATIONS OF INTEREST**

None

A21 **URGENT BUSINESS UNDER STANDING ORDER 7**

None

A22 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

None, although Councillors L Bambridge and S Fraser were attending for the training session.

A23 **CHAIRMAN'S CORRESPONDENCE (IF ANY)**

The Chairman reported that he had attended the Cabinet to present the report on the effectiveness of the Audit Committee, and spoke about the Audit Committee training plans. He explained that he hoped to get some overall Audit Committee training in place which could be the obligatory training for Members, and other training would be arranged according to subject matters required.

A24 **TRAINING - STATEMENT OF ACCOUNTS**

The Committee received training from the Group Accountant on the Statement of Accounts.

The Committee agreed that in future years, when the draft accounts were issued in May a full training session should be provided shortly after. When the final accounts were agreed an update training session should be held on the changes since the draft was issued.

A25

STATEMENT OF ACCOUNTS AND EXTERNAL ISA 260 REPORT

In presenting the ISA 260 report, the External Auditor, Dan Cook, advised that the audit of the Borough Council had been completed for the year ended 31 March 2018 and that the outstanding matters listed in their report had now all been concluded. He confirmed that they were issuing an unqualified audit opinion on the financial statements in the form at Section 3. He acknowledged the assistance given by the S151 Officer and her team to carry out the audit, particularly with the new deadline of 31 July 2018 for the closure of accounts. He considered that it was a good Audit outcome.

Ernst and Young advised that the report was intended solely for the use of the Audit Committee, other Members of the Authority and senior management; it should not be used for any other purpose or given to any other party without obtaining the External Auditor's consent.

The Committee's attention was drawn to the following items:

- All of the items listed as requiring completion had now been finalised.
- Some issues had been corrected, but there were no unadjusted figures.
- There were no additional areas of Risk identified that were not already included in the report.
- The comments on the pension fund were the same for all Councils and was a difference in the reporting periods of the Actuary and the Pension Fund.
- He had made a recommendation that procedures be reviewed prior to submission of the draft.
- No risks were recognised in the value for money element of the audit.
- The health check for the Council's balances in 2021 was looking positive.
- He confirmed that Ernst and Young were still independent from the Council.
- He drew attention to the additional fees that they would be charging for which would have to be agreed with the PSAA.

Ernst & Young, the Group Accountant and the Executive Director responded to questions on the Statement of Accounts and the ISA260 relating to:

- The long term debt written off was from Morston Assets who had gone into liquidation owing contributions to the Council for developments.
- The earmarked reserves could be used at a later date, they had been increased over recent years to take into account the financial situation.
- He confirmed that provided all the points and adjustments raised by the auditors had been completed the accounts were materially correct.
- He agreed that checking had been carried out but some issues were identified with plant and equipment.
- In response to the increase in fees and the point made about the potential for working closer with the internal auditors and using the information they had produced so bringing down the costs. He said they would continue to consider the option but internal audit worked from samples and the external auditors needed to carry out a substantive audit.
- It was confirmed that there should be brackets round the figure in the table on p54.
- The related party transactions showed there had been a small number of undeclared transactions, all of which had been rectified.
- The categorising of the NWES investment to a loan was requested as he considered it was similar in nature to a loan.

The Chairman thanked Dan Cook from Ernst and Young for attending and answering questions from the Committee.

The Committee considered the Statement of Accounts (SOA) 2017/2018 which was the final accounts set out in a format which included the Council's balance sheet and associated notes. The report also considered the report from the Auditor on the Accounts 2017/2018 – the International Auditing Standard (ISA 260).

The Committee was reminded that the Council must formally approve the SOA for 2017/2018 by 31 July 2018. As the Council's designated S151 Officer, the Executive Director, Finance Services, was responsible for the SOA and certified her acceptance of the accounts. It was noted that associated with the final accounts the Council was required to sign off an Annual Governance Statement (AGS) which was separately listed on the Agenda.

On agreement of the Accounts, the Chairman and the S151 Officer signed the Statement of Accounts with a bracket amendment on p54, and the Letter of Representation on behalf of the Borough Council of King's Lynn and West Norfolk.

RESOLVED: The Audit Committee:

- 1) Considered the comments of the Auditor in the ISA260.
- 2) Approved the Statement of Accounts for 2016/2017 as now amended.

A26 **ANNUAL GOVERNANCE STATEMENT COVERING THE 2017/2018 YEAR**

In presenting the report, the Senior Policy and Performance Officer reminded the Committee that the preparation and publication of an Annual Governance Statement (AGS) was a statutory requirement. The AGS was a public statement that described and evaluated the Council's overall governance arrangements, in particular how it had complied with its Code of Corporate Governance during a particular financial year.

The key issues were outlined as set out in the report and an amendment on p54 was pointed out: row 2 should read Fenland, not Breckland.

On approval of the Statement, the Chairman signed the document.

RESOLVED: 1) The Committee confirmed that the 2018 Annual Governance Statement properly reflected the risk environment and that actions required to improve it were in hand.

2) The Committee approved the 2018 Annual Governance Statement and confirmed that the Chairman of the Audit Committee should sign accordingly.

A27 **ANNUAL TREASURY OUTTURN REPORT 2017/2018**

The Committee considered the report which reminded Members 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. As such there was a requirement to make an annual review of its Treasury operation for the previous year.

This Annual Treasury Outturn Report looked backwards at 2017/2018 and covered:

1. The 2017/2018 Treasury Outturn
2. Compliance with Treasury Limits
3. Outturn Summary:

In summary the Council:

- Did not pursue any debt rescheduling as long term loans were reviewed against future long term rates and early repayment penalties.
- Ensured counterparty listings on our lending lists were maintained and updated regularly, and reported in monthly monitoring reports as necessary.
- Ensured priority was given to security and liquidity in order to reduce counterparty risk. This was achieved by adopting Link Asset Services methodology of using ratings from three agencies to provide the core element of the credit watch service with outlooks and credit default swaps spreads to give early warning signs of changes, and sovereign ratings to select counterparties.
- Undertook benchmarking with other local Councils to ensure that experiences were shared and investment instruments were consistent, while maintaining good credit quality and security.

Additional supporting information was provided as follows:

- Appendix 1 - Investments as at 31 March 2018
- Appendix 2 - Borrowing as at 31 March 2018
- Appendix 3 - Property Investment Portfolio as at 31 March 2018
- Appendix 4 - Prudential Indicators
- Appendix 5 - The Economy 2017/2018

The Council's Treasury Policy Statement 2017/2018 and Annual Treasury Strategy Statement 2017/2018 were approved by Cabinet on the 28 February 2017.

The Group Accountant responded to questions on :

- Short term borrowing to assist with cash flow at year end.
- Loaning out finances to other organisations
- The workings around the payment of debt against the Council's income stream
- The inability to take out loans for Revenue purposes, only Capital.
- The NWES situation would be considered in due course.

RESOLVED: THAT THE ACTUAL TREASURY OUTTURN 2017/2018 BE APPROVED.

A28

COMMITTEE WORK PROGRAMME 2018/2019

The Committee work programme was noted.

A discussion ensued on the budget monitoring report and it was agreed that rather than automatically putting it onto the agenda each time, Members of the Committee would be invited to raise any training or explanatory issues arising from the Report and they would be included within the agenda.

A29 **DATE OF NEXT MEETING**

The meeting on 17 September 2018 would be converted into a training session for the Committee.

The meeting closed at 7.00 pm



The Statement of Accounts 2017/2018

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Toby Cowper
Financial Services Manager / Deputy
Section 151 Officer



Agenda

- Closing the Accounts
 - Why/When
- Statement of Accounts
 - Contents
 - Core Statements
 - Notes to the Core Statements
- Audit
- Future Changes



Closing The Accounts

- Why?
 - Local Government Act 1982
 - Local Government & Housing Act 1989
 - Accounts and Audit Regulations
 - Code of Practise on Local Authority Accounting in the UK (CODE)
 - International Financial Reporting Standards (IFRS)



Closing The Accounts

- Time line for 2017/2018 accounts
 - 31 March – Year end
 - 31 May – Draft accounts published
 - 31 July – Final accounts published

Role of the Audit Committee

Role of the Audit Committee for 2018

- Considers the comments of the Auditor in the ISA260 misstatements report
- Considers and approve the Statement of Accounts and the Annual Governance Statement for 2017/2018
- The Chairmen signs the Statement of Accounts, Annual Governance Statement and the Letter of Representation on behalf of the Borough Council of King's Lynn and West Norfolk

Statement of Accounts 2017 / 2018



The Councils 2017 / 2018 Statement of Accounts can be found at: https://www.west-norfolk.gov.uk/info/20160/budgets_and_spending/361/final_accounts

The Statement of Accounts

- Statement of Responsibilities
- Narrative Report
- Core Statements
 - Movement in Reserves Statement (MIR's)
 - Comprehensive Income and Expenditure statement (I&E)
 - Balance Sheet
 - Cash Flow Statement
- Notes to the Accounts
- Collection Fund
- Accounting Policies
- Group Accounts
- Auditors Report

Statement of Responsibilities Pages 1-2

There are two parts to the ‘Statement of Responsibilities’

The first part is signed by the chair of the Audit Committee on behalf of the Council to confirm that the statement of accounts was approved by Audit Committee (before the end of July)

The second part is signed by the Council’s Section 151 Officer to confirm that the statement of accounts represents a **‘True and Fair’** view of the Council’s financial position

Narrative Report

Pages 3–27

- Introduces the Statement of Accounts and summarises the outturn position (Capital and Revenue) as reported to the Council in June.

The Statement of Accounts

The Core Statements

Movement in Reserves Statement

Pages 29-31

- **Summarises how the usable reserves/balances held by the Council have changed during the financial year**

Usable Reserves

- General Fund
- Earmarked Reserves
- Usable Capital Receipts
- Capital Grants Unapplied

Income and Expenditure Account

Page 32

- **Reports net cost for the year of all functions for which Authority is responsible**
- **Demonstrates how cost has been financed from government grants and income from local taxpayers**

Income and Expenditure Account

Net Cost of Services 2017/2018 - £22,615,000

The I&E for 2017/2018 is set out in a similar format to our internal budget monitoring but contains additional technical adjustments.

Income and Expenditure Account

Other Operating Expenditure 2017/2018

Deals with other Income and Expenditures not connected with services

- Parish precepts and IDBs
- gains/losses on disposal of assets eg preserved RTBs, industrial land and NORA houses

Further detail - note 9 - page 47



Income and Expenditure Account

Financing and Investment Income and Expenditure

Deals with receivable and payable interest

- Borrowing interest
- Investments interest
- Pension interest
- Investment properties

Further detail - note 10 - page 47

Income and Expenditure Account

Taxation and Non-Specific Grants Income and Expenditure

Shows the sources of the Councils financing

- Council tax
- Business Rates
- Government grants like RSG and New Homes Bonus

Further detail - note 11 - page 48



Balance Sheet

Page 33

- **Financial Statement at a point in time - year end 31 March 2018 - showing total assets and liabilities (amounts owed)**
- **The net worth of the Borough as at 31 March 2018 is £134m**

Balance Sheet

Long Term Assets

- Movement in value of assets includes
 - capital programme additions / disposals
 - depreciation and impairment
 - revaluations (assets valued every 5 years)
- Intangible assets (not physical assets)
 - software licences
 - nomination rights social housing schemes

Balance Sheet

- **Current Assets**

Assets readily converted to cash

- **Current Liabilities**

Amounts owed immediately or in less than one year

Balance Sheet

Long Term Liabilities

- Other Liabilities – represents the outstanding finance lease obligations on assets
- Pension Liability – estimated liabilities of pension scheme exceed the assets – actuarial valuation at 31 March 2018



Balance Sheet

Reserves and Balances (usable and unusable)

<u>Usable</u>	<u>Unusable</u>
General Fund Balance	Revaluation Reserve
Earmarked Reserves	Capital Adjustment Account
Usable Capital Receipts	Financial Instruments Adjustment Account
Capital Grants Unapplied	Pensions Reserve
	Collection Fund Adjustment Account
	Accumulating Compensated Absences Adjustment Account



Cash flow Statement

Page 35

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- Shows changes in the cash and cash equivalents position of the Council during the reporting period.

Disclosure Notes

Pages 36-101

- The disclosure notes provide a detailed breakdown of the financial information set out in the core financial statements



Disclosure Notes

- Note 13 – Pages 48 to 52 – Unusable Reserves
- Note 18 – Pages 55 to 56 – Officers' Remuneration
- Note 20 – Pages 57 to 66 – Pension Scheme
- Note 27 – Pages 79 to 83 – Property Plant Equipment



Collection Fund

Pages 102-108

The Council also acts as the Billing Authority for Council Tax and Business Rates (collection and redistribution)

This section deals with the accounts for the Billing Authority, which is a separate fund to the Council's General Fund Balance .



Accounting Policies

Pages 109-133

- These are the accounting policies by which the Councils Statement of Accounts is prepared

Group Accounts

Pages 134 -147

These additional financial statements show the Council's financial position with the accounts for Alive Management Limited consolidated into them.

Alive Management Limited is the Council's wholly owned Local Authority Leisure Company

Audit Report

Pages 153 - TBC

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Auditors opinion on the 2017/2018 Statement of Accounts

Audit timeline

- Internal Controls Audit March/April
 - Management letter on internal controls
- Audit of Accounts June/July
- Opinion on Accounts (31 July 2018)
 - ISA260 Misstatements Report
 - Audit Opinion
 - Annual Audit Letter (December/March)



The Statement of Accounts Future Changes

2018/2019

- **Updated guidance and disclosures around financial instruments**

2019/2020

- **Updated guidance and disclosures around leases**

