

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

AUDIT COMMITTEE

Minutes from the Meeting of the Audit Committee held on Monday, 25th January, 2021 at 4.30 pm in the Remote Meeting on Zoom and available for the public to view on WestNorfolkBC on You Tube - Zoom and You Tube

PRESENT: Councillor A Dickinson (Chair)
Councillors Miss L Bambridge, Mrs J Collingham, J Collop (Vice Chair),
A Holmes, B Jones, C Manning, A Ryves and Mrs V Spikings

Portfolio Holder:
Councillor B Long, Leader

Under Standing Order 34
Councillors C Morley and J Rust

Officers:
Michelle Drewery, Assistant Director Resources/Section 151 Officer
and Management Team Representative
Ged Greaves, Senior Policy and Performance Officer

By Invitation:
Mark Hodgson and Amalia Valdex Herrera – Ernst and Young the
Borough Council's External Auditors

A99 **WELCOME AND INTRODUCTIONS**

The Chair informed the Committee that the meeting was being broadcast live on You Tube.

The recording of the meeting is available at:
<https://www.youtube.com/user/WestNorfolkBC>

The Democratic Services Officer conducted a roll call to confirm attendees.

A100 **APOLOGIES**

An apology for absence was received from Councillor A Kemp.

A101 **MINUTES**

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The minutes of the meeting held on 17 December 2020 were agreed as a correct record.

A102 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

A103 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

A104 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

Councillors C Morley and J Rust were present under Standing Order 34.

A105 **CHAIR'S CORRESPONDENCE**

There was no Chair's correspondence.

A106 **ANNUAL AUDIT RESULTS REPORT FOR YEAR ENDED 31 MARCH 2019 AND EXTERNAL ISA 260 REPORT**

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The Chair explained that getting to this point to approve the Statement of Accounts had been difficult for all involved and congratulated Borough Council officers and staff at Ernst and Young for their arduous attention to the matter which would be the ongoing position for further years.

Prior to presenting the Annual Audit Results Report, M Hodgson, Ernst and Young explained that he would draw attention the Committee's attention to the key areas, messages, and observations. Members were informed that it had been a difficult audit over a period of time, which had presented major issues as set out below:

- Delay in the preparation of the financial statements
- Valuation of plant and equipment.
- King's Lynn Innovation Centre: the impact on accounts, financial statements, and value for money.
- Impact of Covid and the Borough Council's response to the national pandemic had reduced the capacity to deal with the audit and queries raised.

M Hodgson, presented the Audit Results Report for the year ended 31 March 2019 and External ISA 260 Report and highlighted the following key areas:

- Changes in materiality – overall materiality assessment updated to £1.733m

- Audit risks/findings for discussion.
- Fraud or error – a good outcome no matters were identified to report good news story.
- King's Lynn Innovation Centre accounting treatment for Norfolk and Waveney Enterprise Services Loan - audit adjustment of £953,000k which had been revised in the Borough Council's Financial Statement.
- Methodology and assumptions used in the valuation of the King's Lynn Innovation Centre building.
- Valuation of Property, Plant and Equipment - total adjustment of £20m required.
- Going concern disclosure Note 38, page 100 in the Council's Statement of Accounts.
- New accounting standards IFRS 9 and IFRS 15.
- Finance Team capacity.
- Summary of adjusted differences.
- Letter of Representation.
- Value for Money – section 5 – King's Lynn Innovation Centre/NWES loan.
- Impact of Covid.

M Hodgson outlined the recommendations which the Borough Council should take seriously and advised that at the current time Ernst and Young did not need to use its statutory powers. It was noted that the External Auditor's Opinion would be finalised by 29 January 2021.

In response to question from Councillor Bambridge regarding a time limit being implemented on the value for money risks recommendation, Ernst and Young concurred that a time limit should be attached and implemented as soon as practicably possible and recognised that some of these would be set out as part of the action plan attached to the Internal Audit report.

Councillor Collingham commented that she had been a Member of the Audit Committee Cross Party Working Group set up to examine lessons learned report for the King's Lynn Innovation Centre and had been concerned of the loss of the Chief Financial Officer and asked if the departure of the postholder had impacted on the relationship of the Borough Council and NWES. In conclusion, Councillor Collingham asked if it was normal practice to risk assess the loss of a key person and what checks and balances could be put in place if this occurred in the future.

In response, Ernst and Young commented that this had occurred to a number of clients where the capacity within finance teams had diminished over the years. It was explained that the departure of the Council's Group Accountant had left the authority exposed with regard to the financial accounting and relationships. However, the Assistant Director, Resources and Section 151 Officer was in the process of addressing the issues on behalf of the council.

The Chair added that the impact of the loss of key staff was an entry in the council's Risk Register and explained that it was within the Committee's remit to revisit this entry. It was noted that the Audit Committee received regular updates on the risk register and had previously made changes to the information presented.

In response to a question from Councillor Ryves on the adjustment required for the Valuation of property, plant and equipment - total adjustment of £20m required, Ernst and Young explained that the incorrect methodology had been used in the valuations undertaken by the Internal Valuation Team. Ernst Young advised that the issue had now been recognised and was being addressed.

Following a further question from Councillor Ryves regarding the transparency of the additional audit fees, Ernst and Young explained that the total of additional fees incurred for the extra work required had not yet been concluded.

Ernst and Young responded to questions with regard to the King's Lynn Innovation Centre loan to NWES and the repayment plan.

Ernst and Young also responded to questions on the Norfolk Pension Fund and the borough council's contribution.

Under Standing Order 34, Councillor Rust addressed the Committee in relation to the Internal Audit Report and 35 recommendations on the King's Lynn Innovation Centre.

Under Standing Order 34, Councillor Morley addressed the Committee in relation to the General Fund and asset valuation.

The Chair explained that the Audit Committee would continue to meet as scheduled to consider essential items only.

The Chair reminded Members of the Joint Panels Meeting on 26 January 2021 when the Assistant Director, Resources/Section 151 Officer would give a presentation on the council's budget plans.

M Hodgson and the Assistant Director, Resources and Section 151 Officer responded to questions from Councillor Spikings on the impact on the council's insurance policies if assets were undervalued.

The Leader thanked Ernst and Young for the work undertaken on the council's audit.

The Chair explained that the Audit Committee was the only council body that the accounts were presented to and asked the Democratic Services Officer to check if that was correct.

RESOLVED: The Committee noted the content of the Audit Results Report produced by the Council's External Auditors, Ernst and Young.

A107 **STATEMENT OF ACCOUNTS 2018/2019**

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The Assistant Director Resources/Section 151 Officer presented the Borough Council's Statement of Accounts 2018/2019 and explained that adjustments had been made as a result of Ernst Young's review. A training session had been held to which all Members were invited to attend, responses to the questions at the training session had been circulated to Councillors in attendance.

The Chair congratulated the Assistant Director, Resources/Section 151 Officer for a comprehensive document.

There were no questions from the Committee or Members attending under SO 34.

The Chair proposed an amendment to Recommendation 2, as set out below:

Delegate authority to the Assistant Director Resources/Section 151 Officer, in consultation with the Chair and Vice Chair of the Audit Committee, to make any further minor amendments necessary to the Statement of Accounts 2018/19 prior to publication and to report back any changes to the next Audit Committee.

The above amendment was agreed by the Committee.

RESOLVED: The Committee:

- 1) Approved the Statement of Accounts for the year ended 31 March 2019.
- 2) Delegate authority to the Assistant Director Resources/Section 151 Officer, in consultation with the Chair and Vice Chair of the Audit Committee, to make any further minor amendments necessary to the Statement of Accounts 2018/19 prior to publication and to report back any changes to the next Audit Committee.

A108 **ANNUAL GOVERNANCE STATEMENT**

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The Senior Policy and Performance Officer presented the reported 2019 Annual Governance Statement which covered the financial year

2018/2019 and outlined the significant challenges local authorities now faced.

The Committee's attention was drawn to the two amendments listed below:

- At the request of Ernst Young, page 31 of the agenda 5.2.21 which included the loan to NWES.
- Addition of Eastlaw to the list of contracted out services on page 63.

There were no questions from the Committee or Members attending Standing Order 34.

The Chair thanked the Senior Policy and Performance Officer for attending and presenting the report.

RESOLVED: The Committee:

- 1) Confirmed that the 2019 Annual Governance Statement (as attached) properly reflected the risk environment and that actions required to improve it were in hand.
- 2) Approved the 2019 Annual Governance Statement (as attached) and confirmed that the Chair of the Audit Committee should sign it accordingly.

A109 **WORK PROGRAMME**

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The Chair invited the Committee to submit any items for the future work programme.

The Chair advised that she had held a discussion with the Assistant Director Resources/Section 151 Officer and that a work programme for 2021/2022 would be presented to the next meeting

A110 **CABINET FORWARD DECISIONS LIST**

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The Cabinet Forward Decisions List was noted.

A111 **UPDATE ON MAJOR PROJECTS BOARD - TO RECEIVE A VERBAL UPDATE FROM THE CHAIR**

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The Chair explained that both the Member Major Projects Board and the Audit Committee Cross Party Working had been temporarily suspended as some council staff had been redeployed in response to Covid.

A112 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will take place on 15 March 2021 at 4.30 pm in the Remote Meeting Room Zoom.

The meeting closed at 5.47 pm