

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

Minutes from the Meeting of the Audit Committee held on Tuesday, 16th January, 2024 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, P Devulapalli, S Everett (Vice Chair)
and B Jones

Portfolio Holder:

Councillor C Morley - Finance

Under Standing Order 34:

Councillor R Coates (Zoom)

Officers:

Michelle Drewery – Assistant Director, Resources/Management Team Representative

Ged Greaves – Corporate Performance Manager/Climate Change Manager

Jamie Hay – Senior Internal Auditor

Carl Holland – Financial Services Manager

Wendy Vincent – Democratic Services Officer

By Invitation:

Vicky Chong – Audit Manager, Ernst and Young

A135 APOLOGIES

There were no apologies for absence.

A136 MINUTES

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The minutes of the Audit Committee held on 27 November 2023 were agreed as a correct record and signed by the Chair.

A137 DECLARATIONS OF INTEREST

There were no declarations of interest.

A138 URGENT BUSINESS UNDER STANDING ORDER 7

There was no urgent business.

A139 MEMBERS PRESENT PURSUANT TO STANDING ORDER 34

Councillor R Coates was present under Standing Order 34 (Zoom).

A140 CHAIR'S CORRESPONDENCE (IF ANY)

There was no Chair's correspondence.

A141 2019/2020 AUDIT RESULTS REPORT - ISA 260

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Vicky Chong, Audit Manager, Ernst and Young presented the report and drew attention to the key findings and outlined the reasons for the delay in the 2019/2020 audit, the number of hours required to undertake the audit and fee implications.

A summary of the key findings are set out below:

- Page 5: Materiality – Council as a single entity £1.845m final and Council Group £1.923 m final.
- Page 6: Closing procedures and signing off of 2019/2020 Statement of Accounts scheduled for 22 January 2024 and issue a certificate.
- Pages 7 to 9: Unadjusted differences, Adjusted differences, Disclosure differences.
- Page 12: Control observations, recommendations set out on pages 44 and 45.

The Committee was advised of the proposal from the Department for Levelling Up, Housing and Communications to resolve the backlog of previous years Statement of Accounts. Vicky Chong explained that this would potentially lead to a technical disclaimer opinion on the intervening years audit between 2019/2020 accounts and 2023/2024 accounts to move the whole system forward. The Committee was informed that did not apply to the VFM (value for money) arrangement and would still need to be completed across all the financial years and which Ernst Young were in the process of undertaking with a view to reporting around Easter 2024. It was noted that subject to legislation, it was anticipated that the disclaimer form of audit opinion would include the three year period – i.e. 2020/2021, 2021/2022, 2022/2023. It was explained that the Council was not the only authority in this category. However, having three years disclaimer was quite significant and therefore for the 2023/2024 accounts it was important to produce a good quality set of accounts and supporting documents.

The Committee was informed that David Ridler who would be taking over as a partner from Mark Hodgson, would be attending the next Audit Committee meeting regarding the 2023/2024 accounts.

The Chair thanked Vicky Chong for the report and invited questions and comments from the Panel.

The Assistant Director, Resources explained that an announcement was expected from the Government regarding the backlog of accounts. The Assistant Director added that she had attended a recent LGA Conference where Simon Ball, MP had attended in person and it was hoped that an announcement would be made end January/beginning February 2024.

The Chair commented that it was his understanding that it was acceptable for the next three audits to be presented as unqualified. In response, the Assistant Director, Resources explained that there was a proposal out for consultation but that the outcome had not yet been confirmed and an announcement was imminent.

The Chair invited the Portfolio Holder for Finance to address the Committee.

The Portfolio for Finance confirmed he had nothing further to add.

The Chair commented that in his view there was an issue with delays and after reading the report objectively got the impression that those delays were caused by the Borough Council and added that officers had worked extremely hard during a difficult time. The Chair asked if the report might show a flexibility regarding this.

In response to questions from the Chair on the problems with the fixed assets, the Assistant Director, Resources explained that there was catching up to undertake but the result of this audit meant that the Council would need to go back and retrospectively review the subsequent years following that to ensure the appropriate balances were being carried forward into 2023/2024. The Assistant Director added that the lessons learned had been recognised and officers had been working to get the council to this position had been competent in taking that work forward.

In response to questions from Councillor Bearshaw on subjective market value and being comfortable about the amount outstanding, the Chair explained that there was a timing difference and controls had been identified to correct the errors.

RESOLVED: The Committee noted the 2019/3030 Audit Results Report – ISA 260.

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The Financial Services Manager explained that a training session had been held the previous week which had looked at the Statement of Accounts in detail.

The Committee was advised that Ernst Young had provided an assurance on content and the supplementary Statement of Accounts.

The Committee's attention was drawn to the Core Financial Statement as set out below:

- P115: Income and Expenditure Account – deficit of £5.7m after pension payment and Internal Drainage Board levies.
- Movement – usable and unusable reserves.
- Council's net worth.
- Administrative process to sign off the 2019/202 Statement of Accounts.
- Auditor's final validation process – it was anticipated that no further significant changes would be required.

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

The Assistant Director, Resources explained that the ISA 260 set out the process required to sign off the 2019/2020 accounts and added that there were minor amendments required such as typographical errors, etc. It was anticipated that the 2019/2020 Statement of Accounts would be signed off on 22 January 2024.

The Assistant Director, Resources responded to questions from the Chair on the financial performance – capital and how the Council performed on the capital programme compared to the budget.

The Financial Services Manager responded to questions from the Chair in relation to the pension fund entry on the Balance Sheet.

At the invitation of the Chair, the Portfolio Holder for Finance addressed the Committee and comment on the lessons learnt from the King's Lynn Innovation Centre (KLIC) and added that since that time the Council had improved its governance arrangements.

Councillor Dark provided background information on the KLIC entry in the 2019/2020 accounts and explained that Councillors needed to be mindful that during that time there was the Pandemic and the report showed testament to how officers and Councillors had dealt with the finance. Councillor Dark added that KLIC had raised concerns in the past and explained that there was now a legal in-house team and a

Member Major Projects Board which monitored major projects. The KLIC building was now owned by the Council at a value of £2.36m and was fully occupied by tenants which was a good end result.

Under Standing Order 34, Councillor Coates commented that he was pleased to learn that the old accounts would shortly be signed off and highlighted that the Committee needed to deal with more current issues and that there was a requirement to get up to date as soon as possible.

In response to comments made regarding KLIC, the Chair referred to the comments made by Councillor Dark in that the Council now had its own in-house legal team and would continue to learn and hoped that the work required for the 2024/2025 statements of accounts would reduce.

The Assistant Director, Resources responded to questions from Councillor Dark on the undervalue of assets and how the Finance Team would build this into the calculations going forward.

RESOLVED: That Members of the Audit Committee:

- 1) Approved the attached 2019/2020 Statement of Accounts.
- 2) Delegate authority to the Council's Section 151 officer and the Council's Chair of Audit Committee to sign-off the final and complete Statement of Accounts.
- 3) Noted the "Letter of Representation."

A143

ANNUAL GOVERNANCE STATEMENT 2019/2020

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The Corporate Performance Manager presented the report which brought the Council's final version of the Annual Governance Statement (AGS) 2020 to the Committee for approval. The draft AGS had previously been considered at the Committee's meeting on 17 December 2020 and 26 July 2021.

The Committee was reminded that the preparation and publication of the AGS was a statutory requirement. The document 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 Corporate Performance Manager explained that the document was reviewed by Ernst Young.

The Committee was informed that the development of the AGS, and the consultation process, had engaged service managers, assistant

directors and executive directors, In particular input had been obtained from the Monitoring Officer, Internal Audit Manager and the S151 Officer.

The Committee's attention was drawn to Section 1.3 of the report and it was explained that Covid had had an impact on a number of actions.

The Chair thanked the Corporate Performance Manager for the report and invited questions/comments from the Committee, a summary of which is set out below.

In response to questions from the Chair on a similar action plan for 2019/2020 and 2020/2021 being a matter of concern, the Corporate Performance Manager explained that the actions remained as at today and that some of those actions would be flagged on a future action plan.

RESOLVED: The Committee:

- 1) Confirmed that the Annual Governance Statement 2020 (as attached) properly reflected the risk environment and the actions required to improve it are in hand.
- 2) Approve the Annual Governance Statement 2020 (as attached) and confirm that the Chair of the Audit Committee should sign accordingly.

A144

CORPORATE RISK REGISTER UPDATE (AUGUST 2023)

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

The Corporate Performance Manager presented the report which presented an updated version of the register as at August 2023. It gave details of the risks falling into the 'Very High' category and the associated work being progressed to mitigate the effects.

The Committee's attention was drawn to the key issues set out in the report.

The Corporate Performance Manager explained that there were many external factors which influenced risk and which still remained.

The Corporate Performance Manager advised there were no proposals to revise the score for any of the risks, add or remove risks.

The Chair thanked the Corporate Performance Manager for the report and invited questions and comments from the Committee, a summary of which is set out below.

Councillor Bearshaw thanked the Corporate Performance Manager for the work undertaken on the Bowtie methodology and drew attention to page 303, the risk register being monitored by Management Team and asked if smart actions had been looked at or did Management Team make the decisions to strengthen the process?

At the invitation of the Chair, the Portfolio Holder for Finance addressed the Committee and outlined the major improvements which had been made in producing the risk register. The Portfolio Holder referred to page 321 and the corporate risks in score order and added that there were difficulties in financial stability. In conclusion, the Portfolio Holder commented that the risk register was a fair reflection on the Council's current position.

The Portfolio Holder for Finance commented that the format of the AGS had been changed and was closer in alignment to the Corporate Plan. The Portfolio Holder outlined the work being undertaken in relation to the list of statutory and discretionary services.

Councillor Dark commented on Risk 1 – Financial Stability and the issue of the Internal Drainage Board (IDB) levies and added that the Council could put a cap on the increase on council tax but IDB's were not in that position to do so. Councillor Dark further commented that the existing mitigating control for financial stability was previously £3m was set aside for the capital programme which could generate income streams and asked why this had not been included in the existing plan. In response, the Assistant Director – Resources provide clarification on the General Fund Reserve (which could be drawn upon for a rainy day) and the Earmarked reserve (which could be used for a specific purpose).

It was explained that a review of the reserves was being undertaken. With regard to the £3m mentioned by Councillor Dark, the Assistant Director explained that this money was still available but it had not yet been determined what it would be used for and was created by a review and release of historic reserves. The only commitment made was for the feasibility study for the Kaset project.

Following questions from Councillor Bearshaw on reserves, the Assistant Director, Resources explained that reserves were separate from the revenue budget.

Councillor Dark commented on the review of earmarked reserves undertaken by the previous Portfolio Holder for Finance.

The Portfolio Holder for Finance referred to his Council report which included information on the £3m reserve which was being held as a specific hold pot. In his view that there was not as much flexibility now to deliver investment projects which would generate an income stream.

The Assistant Director, Resources responded to questions from the Chair on the review of reserves undertaken in 2023 and the invest to save reserve.

The Chair asked if Full Council approval would be required for using the £3m invest to generate revenue or grow, for a specific purpose, for example, purchase of a waste vehicle. In response, the Assistant Director Resources advised that she would check the approval process required with the Monitoring Officer.

In response to questions from Councillor Bearshaw on the budget, the Assistant Director, Resources explained that the reserves were not included within the budget process and were like a savings account.

Councillor Dark commented that reserves were fairly static and the invest to save reserve was created to generate income streams and provided an overview on the importance of continuous monitoring of earmarked reserves.

The Portfolio Holder, Finance there was a fine balance and that to fund a balanced budget it would be a Cabinet decision to draw down from reserves.

Councillor Dark referred to page 315, risk 9, Organisational Change the mitigation and controls to recruit and retain staff. Councillor Dark provided background information on the report considered by the Corporate Performance Panel and asked why retention was not considered a specific risk area. In response, the Assistant Director, Resources outlined the issues experienced by the Council in attracting candidates for specific skills and had to appoint at the top end of the scale. Once appointed there was limited progression for the employee.

Councillor Devulapalli referred to paragraph 2.5, businesses entering insolvency and asked if there was any data available for West Norfolk. In response, the Corporate Performance Manager explained that there was no data available but undertook to research to see if regional data could be obtained.

Following questions from Councillor Devulapalli on Climate Change and the impact on West Norfolk and the current flooding problems, the Chair commented that risks were not just financial based and the Corporate Performance Manager was aware of this and undertook to review the risk rating and come back to the Committee.

Under Standing Order 34, Councillor Coates commented that difficulties experienced in the recruitment of staff and having to appoint at the top of the pay scale. Councillor Coates added that it should be accepted. People would be on an upwards career path and would move on after 3 years and would use the authority as a stepping stone. The Council should therefore look at other benefits which were not monetary related to retain staff.

Councillor Dark stated that he concurred with the comments made by Councillor Devulapalli in relation to climate change and explained that the previous Administration had declared a climate emergency and allocated £1m budget and an action plan. In year 1, £250,000 was allocated in the budget and it would be for the current Administration to determine how this was funded going forward.

In response, the Portfolio for Finance stated that the Council had a programme to grow your own which encouraged advancement. The Portfolio Holder commented that he had asked for a benchmarking exercise to be undertaken for Grade PG9 and above.

RESOLVED: The Committee considered the Corporate Risk Register as at August 2023 and confirmed agreement with Management Team's assessment

A145

BUSINESS CONTINUITY - ANNUAL UPDATE

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The Senior Corporate Governance and Risk Officer/Climate Change Manager presented the report which outlined the current position of the Council's business continuity arrangements, summarised progress made since the last update on 26 September 2022 and described work that was planned to be undertaken over the coming months.

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

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

- Current position.
- Progress since last report in September 2022.
- Forward Work Plan

The Committee noted that the policy was last reviewed in 2019 but publication initially delayed to 2020 pending the senior management restructure and then by the ongoing requirements of the Covid-19 response.

The Chair thanked the Senior Corporate Governance and Risk Officer/Climate Change Manager for the report and invited questions and comments from the Committee, a summary of which is set out below.

The Senior Corporate Governance and Risk Officer/Climate Change Manager responded to questions from Councillor Dark on the regular testing arrangements and explained that testing events were planned with advance notice. The Assistant Director, Resources provided an

example of the power network test which was the first undertaken for a number of years. Advance notice was given as there were critical systems which the Council could not afford to be taken down at that time. A following briefing session looking at what worked, what didn't work and the next test would involve all systems being taken down. A note of the lessons learned would be addressed and corrective action taken in those areas which demonstrated weaknesses.

The Senior Corporate Governance and Risk Officer/Climate Change Manager undertook to feedback the comments from Councillor Dark on actual live testing to the Business Continuity Group.

In response to further questions from Councillor Dark on the Council's partnership with other Norfolk local authorities regarding business continuity arrangements, the Assistant Director, Resources that she would liaise with the relevant officer and respond direct to the Committee.

The Chair asked what the Metis 24 test would be. In response, the Senior Corporate Governance and Risk Officer/Climate Change Manager explained that it may be emergency planning.

RESOLVED: The Audit Committee reviewed progress made and endorsed the approach being taken to the Council's business continuity arrangements.

A146

INTERNAL AUDIT FOLLOW UP RECOMMENDATIONS HALF YEAR REPORT

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The Senior Internal Auditor presented the report which sought to provide an update on the status of all internal audit recommendations, highlighting management responses where any are over the agreed deadline for completion.

The Committee was advised that the current position in relation to the outstanding internal audit recommendations was shown within the attached report.

Members were advised that unfortunately, there had been slow progress demonstrated with a total of 26 recommendations being closed since the last report. It was noted that the report contained an error where it stated "there were some recommendations for which updated had not been received", following follow up activities concluding a response was received for all outstanding recommendations. The report now contained a total of 59 outstanding Internal Audit recommendations (4 high, 26 medium and 29 low). A further 52 recommendations were not yet due for implementation. This

had increased since the last report in May 2023 where 52 recommendations were outstanding and 36 were not yet due.

The Senior Internal Auditor explained that Appendix 1 to the report showed the details of the progress made to date in relation to the implementation of the agreed recommendations. The appendix also reflected the year in which the audit was undertaken to enable the Committee to easily identify historical outstanding recommendations.

It was explained that Appendices 2, 3, 4, 5 and 6 to the report showed the details of any high and medium priority outstanding recommendations split by the year in which they were raised. The outstanding recommendations included within each appendix also provided a progress update and details of the total number of days the recommendations were overdue.

The Chair thanked the Senior Internal Auditor for the report and invited the Committee to ask questions/comment, a summary of which is set out below.

In response to a question from Councillor Devulapalli in relation to the Council being too ambitious to complete the outstanding recommendations, the Senior Internal Auditor explained that in his opinion he did not think so. The Committee was advised that upon completion of an audit recommendations and timescales were agreed with the responsible officer. However, Covid, etc had impacted on implementation/responses. The Senior Internal Auditor added that the Internal Audit Team were looking to review the recommendations on a more frequent basis, roughly every eight weeks across the organisation.

Councillor Dark explained that his understanding was that the Council's car parking strategy was originally boroughwide to include Hunstanton and Downham Market, etc and not just King's Lynn. The Senior Internal Auditor undertook to liaise with the relevant officer and provide a response to the Committee.

The Senior Internal Auditor responded to questions from Councillor Everett on starters and leavers and the next steps to bring a number of recommendations to fruition. The Assistant Director, Resources outlined the discussion from the previous meeting and the Committee would have received the audit results and recommendations. The Assistant Director explained that this report was looking into the recommendations that came out of that audit and the deadline for those recommendations had not yet come up but would be addressed ahead of the deadline.

In response to comments from the Chair on the large number of recommendations and what could be done about reducing the number, the Assistant Director explained that when the report was first brought to the Committee there were a number of recommendations on hold

due to Covid and the recovery process. There were around 140 outstanding recommendations and outlined the reasons why the report was presented to the Audit Committee. Currently there were 59 outstanding and can demonstrate there has been a lot of improvement in terms of reducing the number down but what it didn't show since the last report was how many were on the that list and how many were new. The Senior Internal Auditor had been asked to look at the new recommendations.

The Chair commented that 4 of the 59 recommendations were marked as high priority and 26 medium priority and would normally been a red flag. The Assistant Director, Resources explained that 3 related to the capital programme, 1 related to procurement and project management. The Committee was informed that it was probably best to look at the details to see what the situation was around the progress and to get the assurance that there were actions in progress but could not be completed and signed off at this stage.

The Senior Internal Auditor explained that the Internal Audit Team had met to discuss managing the outstanding recommendations database and advised that the Team carry out more frequent reviews and follow-up activities with the organisation. The Team also looked around the escalation process towards the end of January 2024 to improve the position. The Chair asked if the updated information could be forwarded to the Committee, the Senior Internal Auditor undertook to circulate the information when available.

Councillor Bearshaw asked if the outstanding recommendation on 1 – financial stability and 13 - contract failure been captured in the risk register . In response, the Senior Internal Auditor undertook to discuss the point raised with the Senior Corporate Governance and Risk Officer/Climate Change Manager.

RESOLVED: The Audit Committee received the Internal Audit Follow Up of Outstanding Recommendations report.

A147 **CABINET FORWARD DECISIONS LIST**

The Committee noted the Cabinet Forward Decisions List.

A148 **COMMITTEE WORK PROGRAMME 2023/2024**

The Committee noted the work programme.

A149 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will take place on 11 March 2023 at 4.30 pm in the Council Chamber, Town Hall, King's Lynn.

The meeting closed at 6.35 pm