

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

**Minutes from the Meeting of the Audit Committee held on Monday, 18th September, 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, R Coates, S Dark, T de Winton, P Devulapalli (Zoom),  
S Everett (Vice Chair) , B Jones and D Sayers (Zoom)

**Portfolio Holders**

Councillor M de Whalley - Climate Change and Biodiversity  
Councillor C Morley - Finance

**Officers:**

Michelle Drewery, Assistant Director – Resources  
Carl Holland, Financial Services Manager  
Wendy Vincent, Democratic Services Officer

A109 **APOLOGIES**

There were no apologies for absence.

A110 **MINUTES**

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The minutes of the Audit Committee held on 7 August 2023 were agreed as a correct record and signed by the Chair.

A111 **DECLARATIONS OF INTEREST**

Under Agenda Item 7: Update on Audit of Accounts Progress, Councillor Ryves declared an interest in that he had been trained as an auditor.

A112 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

A113 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Councillors present under Standing Order 34.

A114 **CHAIR'S CORRESPONDENCE (IF ANY)**

There was no Chair's correspondence.

A115 **UPDATE ON AUDIT OF ACCOUNTS PROGRESS**

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The Assistant Director, Resources presented the report which updated the Committee on the External Audit of the Borough Council's Statement of Account and provided an update on proposals under consideration by the Government for Levelling-up, Housing and Communities (DLUHC) to clear the audit backlog of work.

The Committee was advised that the Council found itself in a position where the audit of its accounts had not been completed since 2019/2020. It was noted that a report by the National Audit Office published in January 2023, report that at 30 November 2022 there were 45 audits outstanding from 2019/2020.

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

- 2 – The Accounts and Audit (Amendment) Regulations 2021.
- 3 – Update from DLUHC – July 2023.
- 4 – Statement of Accounts 2019/2020 and Subsequent Years Update.
- 5 – Financial Implications

The Assistant Director, Resources highlighted that the ongoing nature of the audit process continued to significantly impact resources in the finance team as well as other teams across the Council.

The Chair thanked the Assistant Director, Resources for the update 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 recruitment of auditors and the current situation nationally, the Assistant Director, Resources provided an overview of the first tender process operated by the PSAA to appoint auditors for the previous year's of which 99% of local councils opted into to achieve cost efficiencies. The Assistant Director, Resources explained that following that initial tender process, the audit requirements grew due to the changing nature of councils structures such as wholly owned companies, commercial operations which resulted in increased audit work and associated costs. The Committee was advised that the backlog was affecting other audit firms as well as EY and due to recruitment issues in the sector and conflicting priorities, they had limited capacity to deliver the audits in the timescales allowed. The Assistant Director, Resources outlined

the measures in place to work more swiftly as soon as possible to work through the backlog to sign off the audits.

Councillor Coates commented that Ernst Young were a large organisation that he was surprised to learn had limited resources and asked how much pressure could the Borough Council and other local authorities exert to express concerns on the significant backlog on auditing the outstanding Statements of Account.

Councillor Devulapalli added that if the accounts would take so long to audit and then a revised timetable had indicated a quick turn around on three sets of accounts and asked if there would be less rigorous auditing/reporting.

The Chair, Councillor Ryves referred to 3.3 "It should be noted that it has been highlighted that in order to achieve these deadlines, it may result in qualifications and disclaimers of opinion in the short term for a number of local bodies." The Chair highlighted that this was through no fault of the Borough Council officers but a national problem which was not satisfactory.

The Chair invited Councillor Morley, Portfolio Holder Finance to address the Committee.

Councillor Morley provided an overview of the current External Auditor's role and explained that there was a staff turnover issue in that when employees left the company it was difficult to recruit to the role and gave feedback from a Webinar he had attended and explained that was a new auditing body Audit Reporting & Governance Authority (ARGA) and the objective was to undertake a consultation exercise in the future and that the onus would be placed on the Auditor to complete the audits by a certain time, but highlighted that there was no timeline available on when this work would be completed.

Councillor de Winton advised that he had read the report and was not a fan of auditors and they appeared to be a cash cow. Councillor de Winton commented that it did not seem fair with a high turnover of EY staff that the council has to deal with, a new auditor having to learn how the Borough Council operated and its processes and therefore not being able to undertake the audits so quickly. In response, the Assistant Director Resources explained that there had been a high level of turnover at EY which does impact the audit process. The Committee was advised that the Council has had the same partner from EY for the past 4 years, but practice was that after 4 years the partner moved on and a handover is currently underway with the new partner.

Following questions from Councillor Bearshaw on the three outstanding accounts being audited together in one go, the Assistant Director, Resources explained that the outstanding audits could not be undertaken in one block as legislation would be required to do so and

drew the Committee's attention to the table set out in section 3.5 of the report which set out the proposed deadlines being considered for audit completion and it was anticipated that there would be a significant curtailing of audits to meet the deadlines.

In response to questions from the Chair, Councillor Ryves on audit fees going forward, the Assistant Director Resources explained that new fees were expected to be approximately 150% greater than previous ones, as auditors faced higher requirements placed upon them and to ensure all audit fees covered the full cost of a quality audit. The Government had responded to this by offering a Local Audit Grant to Local Authority Bodies to support the costs of the increased audit requirements and it was noted that the Council had been allocated £20,359 of this grant for 2021/22. The Assistant Director, Resources explained that it was difficult to anticipate audit fees as PSAA were using 2021/22 fees to benchmark against for which this council has not had any as yet and advised that the 2018/2019 fees were £100,000 and that fees going forward could be estimated at £150,000 to £200,000.

In response to comments and questions on the Borough Council's resource available to undertake 2 audits in three months, the Assistant Director, Resources explained that a cost would be incurred by the Council and explained that the authority also had its own level of staff turnover. Members were provided with an overview on the issues experienced within the Finance Team during the audit of 2019/2020 financial statements as a key employee had left the organisation and highlighted that as well as undertaking audit work, the team would have significant work due to the budget setting process, closedown for 2023/24 together with budget monitoring and other day to day operations. The Committee was advised that in the past external support had been brought in but currently had been stood down and there was potential for external support to be sought again to assist with the required work within the Finance Team.

At the invitation of the Chair, Councillor Morley, Finance Portfolio Holder addressed the Committee and commented that the Council would like to resist costs but was helpless until the Government changed the arrangement and added that the Council could lobby Government.

The Chair, Councillor Ryves proposed that the Audit Committee lobby Government which was seconded by Councillor Jones and on being put to the vote was carried. The Chair to liaise with the Assistant Director, Resources to agree content.

**RESOLVED:** The Committee noted the contents of the report.

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In presenting the report, the Financial Services Manager explained the purpose of the report and reminded the Committee that the Council had formally adopted the Chartered Institute of Public Finance Accountancy's Code of Practice on Treasury Manager (2017) and remained fully compliant with its requirements.

The Financial Services Manager explained that the Annual Treasury Outturn Report looked backwards at 2022/2023 and covered:

- The 2022/2023 Treasury Outturn.
- Compliance with Treasury Limits.
- Outturn Summary.

The Financial Services Manager drew the Committee's attention to the following sections of the report:

- 2.1: Executive Summary
- 4.2: Capital Expenditure
- 5.6: Council's Capital Spend – Revenue.
- 5.7: Capital Finance Requirement.
- 5.8: The Authorised Limit.
- 6.4: Investments.

The Committee was informed that the following additional supporting information was attached to the report:

- Appendix 1 – Economic Outlook.
- Appendix 2 – Investments as at 31 March 2023.
- Appendix 3 – Borrowing as at 31 March 2023.
- Appendix 4 – Prudential Indicators.

The Financial Services Manager advised that the Council's Treasury Policy Statement 2023/2024 and annual Treasury Strategy Statement 2023/2024 were approved by Council on the 23 February 2023.

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

In response to questions from the Chair relating to the Capital Programme, the Financial Services Manager explained that there were elements of the Capital Programme which were not funded by revenue. The Committee was reminded that the Capital Programme was approved by Council in February of each year.

Councillor Dark commented that 2022/2023 was a difficult year nationally and complimented the work undertaken by officers to deliver the services and to provide reassurance to Councillors. Councillor

Dark added that this was a lengthy report and drew the Committee's attention to the following sections of the report:

- 5.8: The Authorised Limit.
- 6:3: As at 31 March 2023 the Council did not have temporary loans.
- 7.4: During 2022/2023, the Council maintained an under-borrowed position.
- 8:1: No borrowing was undertaken during the year.
- 8.2: The Council had not borrowed more than, or in advance of its needs, purely in order to profit from the investment of the extra sums borrowed.
- 9.2: The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
- Page 42: The Council had not borrowed any money to support the revenue budget.

Councillor Dark referred to investments and reminded the Committee that £3m had been allocated in the budget for capital projects to generate revenue and also to improve the Council's revenue position.

In response to questions from Councillor Dark on the Council's investments being sustainable and making a good return, the Assistant Director Resources explained that £3m had been set aside for earmarked reserves which were designed for investment. The Committee was informed that a scheme to identify returns, efficiencies and income generated which the new Administration would decide what the £3m would be used for. The Assistant Director, Resources explained that the Council had a Treasury Management Strategy agreed at Council on annual basis.

It was explained that the £3m inherited from the previous Administration was within earmarked reserves and provided clarification on the two types of reserves – General Fund Reserve and Earmarked Reserve.

The Chair invited Councillor Morley, Portfolio Holder Finance to address the Committee.

Councillor Morley explained that the £3m would sit in the Earmarked Reserve to see what transpired in the future and invited Councillors who had any ideas on what the £3m could be spent on to contact him.

Councillor de Winton asked where the council was in projecting Environmental, Social and Governance (ESG) measures. In response, the Assistant Director, Resources explained that this was a hot topic and that currently there was no legislation to comply with but that the Council was already taking forward some measures and anticipated that this would evolve over the coming financial year.

Following questions from Councillor Bearshaw on Appendix 2 – Investments and start and end dates not stated, the Financial Services Manager explained that the £15m available for investment did not indicate start and end dates as these were instant access accounts for the council to use to support immediate cashflow requirements if required. The information was a snapshot as at 31 March 2023.

The Chair, Councillor Ryves invited Councillor Morley, Portfolio Holder for Finance to address the Committee.

Councillor de Whalley referred to Appendix 2 and asked for confirmation of the end date which was incorrectly typed in the table. Following the meeting the Financial Services Manager confirmed that the end date for the investment with SMBC Bank International should read 16/06/23.

Councillor Morley referred to ESG projects and explained that interest had been expressed at the Shareholder Committee and added that the current Administration wished to be open and transparent and it was up to the Opposition to tell the Administration if they felt it was going in the wrong direction.

**RESOLVED:** The Audit Committee noted the annual treasury outturn position for 2022/2023.

A117

**TREASURY MANAGEMENT QUARTERLY MONITORING REPORT Q1 2023/2024**

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The Financial Services Manager explained that the Council had formally adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2021) and 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 three months of 2023/2024.

The following additional supporting information was attached to the report as set out below:

- Appendix 1 – Economic Update.
- Appendix 2 – Interest Rate forecasts.

- Appendix 3 – Prudential and Treasury Indicators for 2023/2024.
- Appendix 4 – Investment Portfolio.
- Appendix 5 – Approved countries for investment.

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

In response to questions from the Chair, Councillor Ryves, the Financial Services Manager confirmed that future reports to the Committee would be presented on a quarterly basis.

The Chair, Councillor Ryves referred to Appendix 3 and commented on the authorised limit for external debt for the previous year being £86m compared to the current year £10m and added that this appeared to be odd. In response, the Financial Services Manager explained that the method of calculating the authorised limit and opportunities for borrowing was dictated by CIPFA guidance and this indicator confirmed we were operating within that limit.

Councillor de Winton commented that the figures presented indicated the Council was in a good place but felt in his opinion the economy of West Norfolk had slowed down and elsewhere in the country staff had been made redundant and asked what “stress tests” had been applied.

The Chair invited Councillor Morley, Finance Portfolio Holder to answer the question from Councillor de Winton.

Councillor Morley commented that the Administration had not gone through the war games analysis but seek to improve and help the community to recover and added that perhaps this could be picked up in separately to ascertain what the Council’s parameters were to work within.

The Chair, Councillor Ryves referred to page 54, internal borrowing figure and asked for an explanation. In response, the Financial Services Manager explained that there were many phrases associated with internal borrowing and a CIPFA template was used which linked to the new Code and some localisation needs to be applied to this. It was explained that in the financial year there were some elements of the capital programme that were not funded through capital receipts and grants and the figures represent the changes to the capital programme approved by Cabinet on 1 August 2023. The Financial Services Manager added that the Quarter 2 monitoring report would contain an update on recent work undertaken on the re-profiling of the capital programme.

Following further comments from the Chair, Councillor Ryves, the Assistant Director, Resources explained that in future reports there may be some flexibility in the presentation of the contents of the report



as long as we still comply with the Treasury Management requirements.

**RESOLVED:** The Audit Committee is asked to note the report and the treasury activity.

A118 **BUDGET MONITORING REPORT JUNE 2023**

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The Financial Services Manager presented the Budget Monitoring Report – 30 June 2023 and drew attention to the following sections:

- Summary.
- Revenue Budget 2023/2024.
- Capital.
- Reserves.
- Age Debt Analysis.
- Council Tax and Business Rates.
- Treasury Management 2023/2024.
- Conclusion.
- Appendix A – Budget Monitoring Variances June 2023.
- Appendix B – Capital Programme 2022/2027.
- Appendix C – Age Debt Analysis, 30 June 2023.

The Chair 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 Dark provided clarification on the Internal Drainage Board (IDB) levy received by Government. The Committee was advised that the Council was one of the local authorities to receive additional grant from DLUHC to help with the increase in IDB levies due to the unprecedented rising in energy costs. £205,451 had been paid to the Borough Council as a one-off recognition of the difficult circumstances affecting local authorities. Councillor Dark commented that the work undertaken by IDBs was commendable but added that did take 42% of the authority's available Council Tax. Councillor Dark provided an overview of the work led by South Holland District Council which got a number of Councils to start a cohesive voice to central Government. The Borough Council proactively went in when generated a one-off payment which was either the second or third largest payment made to a local authority. In conclusion, Councillor Dark stated that clearly this was not enough and that Councillor Morley had similar concerns.

Councillor Morley, Portfolio Holder for Finance commented that the previous Administration was to be commended on addressing the various issues associated with the IDB's including taking forward lobbying the 15 or so districts effected by IDB levels and added the current Administration had undertaken to carry this work forward. The

Committee was informed that the MPs Liz Truss and James Wild were aware of this sensitive issue in West Norfolk and could also lobby Government.

Councillor Morley, Portfolio Holder for Finance responded to questions from Councillor Bearshaw on the costs both within the Borough and other areas of the country.

Councillor Bearshaw asked what the Borough Council did to liaise with the IDB Consortium to bring more money back in. Councillor Morley, Portfolio Holder for Finance explained that officers were undertaking an exercise to check the figures for Water Management Alliance as they were not consistent with the Borough Councils.

In response to questions from Councillor Coates on Balances and Reserves in relation to section 4.1, 3rd bullet point – to set aside funding for anticipated investment or projects and asked if they were anticipated why were they not included in the budget. In response, the Assistant Director, Resources explained that this was called prudential management of finances and it may be something to be spent in 2 to 3 years' time and that money would be set aside in equal amounts each year to undertake the project when required and gave Elections as an example held every 4 years.

Following questions from Councillor Coates on the minimum level of reserves £1.1m required by the Council, the Assistant Director, Resources explained that the Borough Council's policy was to have a minimum reserve level of 5% of the revenue budget and was part of CIPFA's Code of Practice.

In response to further questions from Councillor Coates on ring-fenced reserves the Assistant Director, Resources explained that these reserves are based on where there is a legal requirement, terms and conditions or a contract in place.

Councillor de Winton referred to the legal costs of £668,300 and the variance reported in budget monitoring. In response, the Assistant Director, Resources explained that previously the legal service had been outsourced to Eastlaw and this had now ended. A Council decision had been made to bring the legal service back in-house and the variance reported was therefore a saving on the transitional cost of the legal service.

Councillor Dark provided an overview as to why it had been the Council's decision of the previous Administration to bring the legal service back in house.

Councillor Dark commented in the IDB's which carried out good work and took on board the comments made by the Finance Portfolio Holder on how much the area put into the community and the UK economy and the fact this was a burden to the tax payer seemed wrong.

Councillor Dark highlighted that Liz Truss MP and James Wild MP were fully aware of the situation and added that going forward he would support the new Administration.

Councillor Dark made a plea in relation to major projects in the capital programme ensure that the scheme going forward was overlaid with Cabinet e.g. Appendix B – car parks proposed spending £1m over the next 4 years and the significant spend and added that the previous Administration had started developing a Car Park Strategy etc. and the review which was still ongoing to ensure money was not spent on car parks for specific items which stopped options be considered at the end of the review and expressed concern that budgeted items were purchased at the wrong time. Councillor Dark gave another example of the Oasis being in a difficult financial situation and the commitment of £200,000 in the budget. Councillor Dark also commented on the £3m allocated in the budget to spend on projects to generate revenue and referred to the Walks, Crazy Golf equipment £120,000 allocated in the capital programme for the current year and asked if this should be Alive and not the Council and justifying the spend added that there were a number of retail vacant premises and why not consider Crazy Golf operating in one of those premises so that it was not weather dependent and available as an all year facility.

The Chair, Councillor Ryves commented on the above points made by Councillor Dark and stated that it was the responsibility of the Audit Committee to identify any risks/action(s) required.

The Chair, Councillor Morley invited the Portfolio Holder Finance to respond to Councillor Dark.

Councillor Morley repeated that Cabinet was in discussions with officers to identify any projects that would generate income and it was hoped that the information could be collated by October/November. Councillor Morley outlined the current situation with Alive and added that the Council should be doing all it could to drive up revenues and explained that there was money available to do so. Councillor Morley added that people had less disposable income with the increase in the cost of living. In conclusion, Councillor Morley commented that there was a whole raft of projects, expenses, etc. which may not fit where West Norfolk stood at the moment.

With regard to car parking Councillor Morley explained that resurfacing works, back office, etc. and that Council had committed to supporting other districts and this venture coming between low and high risk. Councillor Morley added that Councillor Dark had made some good points and it was hoped that officers and Portfolio Holders would work together. Councillor Morley confirmed that the capital expenditure would be rigorously monitored.

The Chair, Councillor Ryves commented that Appendix B – revised budget was work in progress as set out on page 73 of the Agenda.

Councillor Morley, Portfolio Holder for Finance explained that this was work in progress but highlighted there was a long way to go.

The Chair, Councillor Ryves stated that it would be useful for the Audit Committee to be kept informed of any changes.

Councillor Dark commented on the wider issues made one of those things for all sides of the Council was for an idea/project to go through the democratic process which slowed things down and budget allocated if moved at a quicker pace the officers might have already committed to spend therefore what Council do was irrelevant and gave an example of car parking.

Councillor Morley, Portfolio Holder for Finance explained that weekly cost management discussions were held by Management Team and any issue was brought to his attention if there was a requirement to spend an amount.

General comments were made by the Committee on the importance of closely monitoring the Council's financial position.

Councillor Morley, Portfolio Holder for Finance committee that delegated decisions did not get past his scrutiny and provided an overview of how the process had changed to enable Officer Delegated Decisions to be called in.

In response to comments made on the capital programme, the Assistant Director for Resources explained that a review of the capital programme was being undertaken and any changes would be reported in the Quarter 2 Budget Monitoring Report and added that the current total of the capital programme was £66m but during Quarter 2 it was anticipated £30m would be rephrased and a number of the projects mentioned by Councillor Dark would be subject to a further review.

Councillor de Whalley, Portfolio Holder for Environment and Biodiversity reminded the Committee that delegated decisions could be called in.

Councillor Bearshaw commented that as Chair of the Regeneration and Development Panel, the Panel would be looking at reports to set the criteria at an earlier stage to ensure it was budgeted correctly in the first place.

In response to questions from the Chair, Councillor Ryves on staff turnover savings, the Assistant Director, Resources explained that this was built into the budget process on an annual basis and had previously been set at £550,000 but when it was brought back to Council in February for approval, it had been increased to £1m for one year only on the basis of carrying a higher level of turnover as it had been difficult to recruit to some areas.

Following further questions from the Chair, Councillor Ryves on the increase on spend in leisure facilities to replace fitness equipment on page 77 where revised budget was £108,000 but actual spend to date as at 30 June 2023 £531,000, the Assistant Director, Resources explained that this was the actual cost to replace fitness equipment across all sites and required reallocating.

Councillor Jones stated it was cheaper for equipment to be bought in bulk for all three leisure sites rather than for a single site.

In response to a question from the Chair on local authority crematoriums having to pay business rates, the Assistant Director, Resources advised that it was normal practice for all crematoriums to pay business rates on the basis that it is a chargeable service being provided from the site.

The Chair, Councillor Ryves referred to page 72 – Forecast revised to reflect the revised estimate of Housing Benefit, etc. and asked if it was likely that the budget changes would be set out in each quarterly report. In response, the Assistant Director, Resources explained that each year the estimated level of subsidy was made that the Council was likely to receive and submit a return to the Department of Work and Pensions (DWP) but added that during the year the Council had to carry out a review and revise the subsidy estimate and send a return to the DWP. A discussion was being held with the Housing Team to see if there was any funding available to offset the charge. The Assistant Director, Resources said this could change as part of the next monitoring update which would come back to the Audit Committee.

**RESOLVED:** The Audit Committee noted the contents of the Budget Monitoring Report June 2023.

A119

### **CABINET FORWARD DECISIONS LIST**

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The Committee noted the Cabinet Forward Decisions List.

The Chair, Councillor Ryves asked a general question on the role of the Audit Committee and being able to undertake a review of the IDB's numbers to check consistency on the figures report. Councillor Morley, Portfolio Holder for Finance commented that the Council could look at the relationship with Internal Audit and the audits which it undertook for IDBs. The Assistant Director, Resources explained that Internal Audit had previously carried out an audit of the Water Management Alliance but that arrangement had now ended. The Assistant Director, Resources advised that she would follow up the comments made on the discrepancy on the figures reported and would report back to the Audit Committee.

**A120 COMMITTEE WORK PROGRAMME**

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Councillor Dark commented on the significant number of items scheduled for the next meeting in November and asked which items were time critical or asked if two meetings should be scheduled. In response, the Chair explained that the Agenda for the next meeting would be discussed at sifting.

Councillor Bearshaw referred the meeting held on 7 August – Corporate Risk Register when a discussion took place on the bowtie analysis and added that he had held a discussion with G Greaves and asked if it would be helpful for Members to receive a briefing prior to the November meeting. The Chair asked if the Democratic Services Officer could liaise with the relevant officer to arrange a briefing on Teams (late afternoon) for the Audit Committee.

**A121 DATE OF NEXT MEETING**

The net meeting of the Audit Committee will take place on 27 November 2023 at 4.30 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn.

**The meeting closed at 6.50 pm**