

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

**RESOURCES AND PERFORMANCE PANEL – AUDIT AND RISK COMMITTEE**

**Minutes of a Special Meeting of the Resources and Performance Panel – Audit and Risk Committee held on Monday 8 September 2014, 6.00 pm, in the Committee Suite, King's Court, Chapel Street, King's Lynn**

**PRESENT:**

H Humphrey (Chairman),  
M Chenery (*substitute for Councillor de Winton*), C J Crofts (*substitute for Councillor Mrs K Mellish*),  
I Gourlay, M Langwade, C Manning (Vice-Chairman), J M Tilbury, A Tyler, D Tyler  
and Mrs S Young

**Also in Attendance:**

Mr R Murray and Ms H Devlin, Ernst and Young

Apologies for absence were received from Councillors P Beal, J Collop, T de Winton  
Mrs K Mellish and G Wareham

ARC 43: **APPOINTMENT OF VICE-CHAIRMAN**

**RESOLVED:** That Councillor C Manning be appointed Vice-Chairman for the meeting.

ARC44: **SUSPENSION OF STANDING ORDER 36 – RECORDING OR BROADCASTING OF MEETINGS**

**RESOLVED:** In order to comply with Statutory Instrument 2014 no 2095, The Openness of Local Government Bodies Regulations 2013, Standing Order 36 be suspended for the duration of the meeting.

ARC45 **DECLARATIONS OF INTEREST**

There were none.

ARC46: **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business to report.

ARC47: **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

ARC48: **CHAIRMAN'S CORRESPONDENCE**

The Chairman had no correspondence to report.

ARC49: **CABINET REPORT: STATEMENT OF ACCOUNTS 2013/2014 REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA UK&I) 260**

The Principal Accountant presented a report which introduced the Statement of Accounts (SOA) 2013/2014. It was highlighted that the report also considered the report from the auditor on the audit for the accounts 2013/2014 – the International Auditing Standard (ISA 260).

The Committee was reminded that the Council had already received a report on the outturn of the budget for 2013/2014 in June. This report presented to Members the formal set of accounts that were required for audit purposes. The format of the Statement of Accounts was subject to prescription under the International Financial Reporting Standards (IFRS) which was in accordance with the relevant Audit and Account Regulations.

The Committee was advised that the report from the Auditor on the audit for the accounts 2013/2014 (ISA 260) provided Members with an overview of the findings of the audit.

The Principal Accountant explained that the Council must formally approve the SOA for 2013/2014 by 30 September 2014. Ernst and Young, the External Auditor had audited the document over the past few months and had indicated that they were likely to express an opinion that the accounts presented fairly the position of the Council as at 31 March 2014 and its income and expenditure for the year then ended.

The Principal Accountant informed Members that the Balance Sheet was on Page 13 of the Statement of Accounts 2013/2014 which provided a 'snapshot' of the Council's financial position as at 31 March 2014.

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

- Description of the Variances as set out on page 3 of the report.
- Amendments to the Earmarked Reserves Policy – Creation of a new category of reserve (Business Rates Retention) was being set up to hold the accounting adjustments necessary for the Council's NNDR Safety Net and Levy payments.

Mr R Murray, Ernst & Young presented the ISA 260 report. The Committee was advised that the report summarised the findings from the 2013/14 audit which was substantially complete. Members were advised that the report included messages arising from the audit of the Council's financial statements and the results of the work Ernst & Young had undertaken to assess the Council's arrangements to secure value for money in its resources.

The purpose of the work undertaken by Ernst & Young was outlined.

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

- Executive Summary Key Findings – The Committee was advised that as of 10 August 2014, Ernst & Young's preliminary conclusion was that they expected to issue an unqualified opinion on the financial statements and a written update would be presented to the Cabinet meeting on 10 September 2014.
- Significant audit risks – Ernst & Young had identified the audit risks as set out in the tables at pages 9 to 12 and Mr R Murray outlined the adjustments made in relation to NORA and the localised business rates scheme. A revised set of financial statements had been submitted to management for answers to a number of queries.
- Financial Statements Audits – Issues and Misstatements arising from the audit. The updated ISA 250 would be submitted to the Cabinet meeting on 10 September.
- Appendix 2 – Disclosure 5: Amounts reported for resource allocation decisions. Description of Misstatement to be amended to read "*Officers reworked the resource allocation note following initial audit comment that the employee expenses appeared to be **significantly incorrect.***"

The Committee was invited to comment/ask questions on the ISA 260 report, a summary of which is set out below.

In response to questions from Councillor Chenery regarding useable and unusable reserves, the Principal Accountant explained that unusable reserves were non-money reserves (technical) and gave an example of adjustments for pensions within the accounts. The Chief Financial Officer drew Members' attention to page 52 of the Statement of Accounts which set out the Usable and Unusable Reserves.

In response to questions from the Chairman, Councillor Humphrey relating to uncorrected audit misstatements, the Chief Financial Officer referred to page 21 of the ISA 260 report and explained that there was a disposal of land at Hunstanton in 2012/2013 on a 99 year lease which the Council had included as a capital receipt in its entirety, instead of being included over the 99 years at £4,000 per year in the accounts. This had therefore been identified as an uncorrected error and would impact on the income and expenditure account to the sum of £4,000 per annum.

Following further comments from the Chairman, Councillor Humphrey regarding the uncorrected misstatements on page 22 of the ISA 260 report, the Chief Financial Officer explained that the second item related to the ongoing impact of an error detected in 2012/2013 and would not appear in the Council's accounts in the future.

Councillor Tilbury asked how much the audit fees would be for this year. In response, Mr Murray referred the Committee to page 20 of the Agenda which detailed the scale fee and proposed audit fees. The Committee was advised that the audit fee had not yet been finalised and that there would be a small increase in the scale fee. Once the final fee was confirmed the information would be reported to the Audit and Risk Committee.

In response to questions from Councillor Crofts regarding the appointment of the Council's auditors, Mr Murray explained that the Borough Council was the audit client and Ernst and Young reported to the Audit and Risk Committee. The external auditors were appointed by the Audit Commission for a set period of time. However, with the introduction of the new local audit regime, the Borough Council would be in a position to appoint its own external auditor on a countywide or individual basis. Mr Murray explained that this would bring an element of competition, but it was unclear when the new regime would be introduced.

Following questions from the Chairman, Councillor Humphrey on the testing of the Council's controls in order to complete the audit, Mr Murray advised that a substantive audit had been undertaken to allow Ernst and Young to understand the controls in place which was necessary under the International Auditing requirements.

In response to the Chairman asking if officers wanted to raise questions of the External Auditor, the Chief Financial Officer informed the Committee that there had been significant discussion with Ernst and Young over the past weeks. It was noted that regular meetings were held with the auditors and regular telephone conference calls took place with the Chief Executive, Deputy Chief Executive and Ernst & Young.

The Chief Financial Officer reminded Members that the first draft of the Statement of Accounts had been produced in line with the statutory deadline. An updated version of the ISA 260 report would be submitted to Cabinet and to Full Council for approval.

In response to questions from Councillor Crofts on the Council's investments, the Chief Financial Officer referred to the Treasury Management Strategy for 2014/2015 which had been considered by the Audit and Risk Committee and approved by Cabinet in March 2014. The policy had been amended to allow the Council's current short term investments to be reviewed and consideration being given to extend to a two year period if the interest rates were favourable. The Council's current investment portfolio contained a mix of both short term and long term investments.

In response to questions from Councillor Langwade on the Pension Deficit, the Deputy Chief Executive advised that the pension fund deficit changed and the figures as at 31 March 2014 provided a snapshot. The Deputy Chief Executive explained that most local authorities had a deficit and made significant payments over a 30 year period. The Borough Council was required to pay a lump sum of £1m per annum towards reducing the deficit over the 30 year period. It was noted that the pension deficit would be reviewed during the preparation of the next Financial Plan period post 2017. Page 73 of the Statement of Accounts showed a table detailing the movement of the Pension Scheme.

The Chairman, Councillor Humphrey drew the Committee's attention to the recommendation and added that an updated version of the ISA 260 report

would also be submitted to Cabinet on 10 September 2014.

**RESOLVED:** That Cabinet be informed that the Resources and Performance Panel – Audit and Risk Committee supports the recommendation as follows:

It is recommended that Cabinet:

1) Approve the authority for any changes required to the Statement of Accounts is delegated to the Chief Financial Officer, in consultation with the Leader of the Council, to authorise amendments and if necessary present an updated Statement to Council.

2) Notes the comments of the auditor in the ISA260.

It is recommended that Council:

1) Approve the Statement of Accounts for 2013/2014.

2) Notes the comments of the Auditor in the ISA260.

ARC50 **CABINET REPORT: ANNUAL GOVERNANCE STATEMENT 2013/2014**

In presenting the report, the Deputy Chief Executive reminded the Committee that the preparation and publication of an Annual Governance Statement (AGS) was a public statement that described and evaluated the Council's overall governance arrangements during a particular financial year.

The report sought Cabinet approval of the Council's Annual Governance Statement covering the 2013/14 year which was attached at Appendix A.

The Deputy Chief Executive drew Members' attention to page 162 Appendix A: Application of the Principles of Governance.

Councillor Tilbury commented that he had found Appendix A to be helpful in tabular format for Members to access and obtain the required information.

The Committee concurred with the comments made by Councillor Tilbury.

**RESOLVED:** That Cabinet be informed that the Resources and Performance Panel – Audit and Risk Committee supports the recommendation as follows:

It is recommended that the Annual Governance Statement for the 2013/2014 year as attached be approved for adoption and that the Leader of the Council and the Chief Executive sign accordingly.

ARC51 **MONITORING OFFICER ANNUAL REPORT 2013/2014**

The Monitoring Officer presented the Annual Report for 2013/2014 and explained that the Annual Governance Statement also covered the areas within the Monitoring Officer's responsibility. Any necessary action points would be presented to the Audit and Risk Committee.

The Committee was invited to ask questions, a summary of which is set out below.

In response to questions from Councillor Crofts regarding any reportable incidents of maladministration by the Ombudsman, the Monitoring Officer explained that there were no such reportable incidents, however, the Council had paid £350 to a complainant where the Ombudsman found that incorrect advice had been given.

The Deputy Chief Executive advised that there had been no reportable incidents of maladministration last year, but that the Council may have made compensation payments.

The Chairman, Councillor Humphrey reminded the Committee that the Resources and Performance Panel had received the Annual Complaints Report on 22 July 2014.

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

ARC52: **DATE OF NEXT MEETING**

Committee Members noted that the next meeting of the Resources and Performance Panel – Audit and Risk Committee would take place on **Tuesday 25 November 2014** at 6 pm in the Committee Suite, King's Court.

**The meeting closed at 6.48 pm**