

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

AUDIT COMMITTEE

Minutes from the Meeting of the Audit Committee held on Monday, 31st July, 2017 at 5.00 pm in the Card Room - Town Hall, Saturday Market Place, King's Lynn PE30 5DQ

PRESENT: Councillor D Pope (Chairman)
Councillors J Collop, M Hopkins (vice-Chairman), P Kunes, C Manning,
G Middleton and T Tilbrook

Portfolio Holder

Councillor P Hodson - Portfolio Holder, Performance

Officers:

Lorraine Gore, Executive Director

Kathy Woodward, Audit Manager

Vanessa Dunmall, Performance and Information Officer

A17 **APOLOGIES**

Apologies for absence were received from Councillors Mrs J Collingham and B Long.

A18 **MINUTES**

The Minutes of the Audit Committee held on 30 May 2017 were agreed as a correct record and signed by the Chairman, subject to the following typographical amendment:

A14 **AUDIT COMMITTEE EFFECTIVENESS REPORT**

The Audit Manager informed Members that it was considered to be **good** practice for the Audit Committee to present Cabinet with an annual report on the work carried out by the Committee in the preceding year.

A19 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

A20 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

A21 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

A22 **CHAIRMAN'S CORRESPONDENCE (IF ANY)**

There was none.

A23 **STATEMENT OF ACCOUNTS**

Items 7 and 8 were considered together as one item.

The Executive Director presented the Statement of Accounts (SOA) 2016/2017 and explained that the Statement 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 2016/2017 – the International Auditing Standard (ISA 260).

The Committee was reminded that the Council must formally approve the SOA for 2016/2017 by 30 September 2017. 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.

RESOLVED: The Audit Committee:

- 1) Considered the comments of the Auditor in the ISA260.
- 2) Approved the Statement of Accounts for 2016/2017.
- 3) The Chairman signed the Statement of Accounts and the Letter of Representation on behalf of the Borough Council of King's Lynn and West Norfolk.

A24 **EXTERNAL ISA 260 REPORT**

In presenting the ISA 260 report, the External Auditors advised that the audit of the Borough Council had been substantially completed for the year ended 31 March 2017 and that subject to concluding the outstanding matters listed in their report, Ernst and Young confirmed that they expect to issue an unqualified audit opinion on the financial statements in the form at Section 3.

The Committee was reminded that the statutory deadline for 2016/2017 was 30 September 2017. However, the Council was aiming to approve the financial statements on 31 July 2017 in preparation for the earlier statutory deadline of 31 July which was relevant for financial years ending on or after 31 March 2018. Ernst and Young therefore

confirmed that they would also expect their audit opinion by the end of July 2017.

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 sections of the report

- Page 37: Assessment of Materiality – this was reassessed using the actual results for the financial year, which was reduced to £1.6 million.
- Page 38: There were no unadjusted audit differences arising from the audit. Any outstanding issued had been addressed in the Letter of Representation which would be signed by the Chairman of the Audit Committee, together with the Statement of Accounts.
- Page 42: Audit Risks. The auditor's testing had not identified any material misstatements from revenue and expenditure recognition. The audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position.
- Page 63: The responsibility of the Council's auditor was to consider whether the Authority had put adequate arrangements in place to satisfy that the systems of internal financial control were both adequate and effective in practice. The auditor confirmed that no weaknesses were identified.
- Appendix D: Request for a Letter of Representation. The Committee was advised that this was a generic standard request and did refer to any specific points.
- Page 57: Value for Money – The Auditor advised that the Council had a comfortable level of reserves and a strategic plan in place to address the three year budget gap.

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

- Reclassification between long-term and short-term investments.
- Statutory deadline of 31 July 2018.
- Identified budget gap – the Borough Council had a plan and a level of reserves in place to address the budget deficit.
- Pension Valuation and Disclosure. It was explained that accounting for this scheme involved significant estimation and judgement and that the actuarial expertise was used by the Council. Comparisons had also been made with other local authorities. The Council's arrangement to pay a three year upfront payment was explained. It was highlighted that the actuary worked out the required payment on a yearly basis. The Executive Director explained that that Pension Scheme was a

longer term scheme and had changed from final salary to career average.

- Procedure in place for repayment of NWES loan.
- Non-Domestic Rates Provision. The auditor confirmed that the Council's provision for business rate appeals was adequate. An example of the Power Station appeal was outlined to the Committee.
- Freebridge Community Housing Ltd – the Committee was referred to page 64 of the SOA and it was noted that there was a VAT sharing agreement between FCH and the Council.
- Property, Plant and Equipment – it was explained that the accounting policy was to review individual items on a 5 year rolling programme.
- Group Accounts – it was explained that an additional fee of £3,000 had been incurred for the additional work required to meet the group consolidation requirements of the Code of Practice and International Accounting Standards.
- The Borough Council's investment portfolio.
- Heritage Assets.

The Chairman, Councillor Pope thanked Ernst and Young for attending and answering questions from the Committee.

RESOLVED: The Committee considered and noted the comments of the Auditor in the ISA260.

A25

ANNUAL GOVERNANCE STATEMENT

In presenting the report, the Performance and Information 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.

The Committee's attention was drawn to Page 98, 5th bullet point error identified totalling £522,910. The amount had been included in the end of year annual business rates return required by Government. The external auditors had been informed as part of their audit of the accounts for 2016/17 and the write-off had been included within the Council's 2016/17 annual accounts. Members were advised of the actions taken as a result of the error as set out in the report.

The Executive Director and Performance and Information Officer responded to questions in relation to:

- Background information relating to the error amounting to £522,910 and the actions being taken. It was explained that two members of staff were now in place to deal with this specialist area. Both members of staff had attended several specific NNDR transition courses to ensure full and correct understanding of requirements.
- New growth and Business Rates and the Norfolk Pool arrangement.

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RESOLVED: 1) The Committee confirmed that the 2017 Annual Governance Statement (as attached) properly reflects the risk environment and that actions required to improve it are in hand.

2) The Committee approved the 2017 Annual Governance Statement (as attached) and confirm that the Chairman of the Audit Committee should sign accordingly.

A26

EXTERNAL AUDITOR APPOINTMENT FOR GRANT CERTIFICATION WORK

The Internal Audit Manager presented the report which provided the Committee with an overview of the required process for appointing external auditors in relation to the Grant Certification work.

It was explained that the work primarily covered auditing the Housing Benefit Subsidy claim and did not form part of the arrangements previously agreed for the general external audit appointment process.

The Committee was advised of the two options considered as set out in the report.

The Internal Audit Manager responded to questions relating to:

- Option 2: Authorities can directly approach the auditor appointment by PSAA to also conduct the certification work. It was explained that the Council would have had to appoint an independent board. It was noted that the Council had a planned spend for 2017/18 of £23,460 on grant certification work.
- Process required to appoint an auditor to carry out grant certification work. The Committee was informed that contact had been made with other local authorities who had confirmed that they would be taking the option 2 approach.

RESOLVED: 1) To suspend Contract Standing Orders as noted within the report in order to appoint the same auditor for the grant certification work as is appointed by the PSAA for the general audit work.

2) To delegate to the Section 151 Officer the authority to negotiate and enter into a contract with the preferred supplier for the grant

certification work, for the same term as the contract awarded through PSAA.

A27 **COMMITTEE WORK PROGRAMME 2017/2018**

The Committee notes the Work Programme.

A28 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will be held on Monday 4 September 2017 at 5.00 pm in the Education Room, Town Hall, Saturday Market Place, King's Lynn.

The meeting closed at 6.06 pm