

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

Minutes from the Meeting of the Audit Committee held on Monday, 26th September, 2022 at 4.30 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ

PRESENT: Councillors I Devereux (Chair), P Gidney, J Lowe, C Manning, C Morley, A Ryves (remotely) and M Storey.

Officers:

Michelle Drewery, Assistant Director - Resources

Faye Haywood, Internal Audit Manager

Carl Holland, Financial Services Manager

Ged Greaves, Corporate Performance Manager

Dave Robson, Environmental Health Manager

By Invitation:

Representatives from Ernst and Young

A31 **APOLOGIES**

Apologies for absence were received from Councillors J Collingham and J Rust.

A32 **MINUTES**

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The minutes of the meeting held on 7 September 2022 were agreed as a correct record and signed by the Chair.

A33 **DECLARATIONS OF INTEREST**

Councillor Devereux, Chair informed those present that a friend/neighbour who held a senior position at Ernst Young.

A34 **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business.

A35 **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

A36 **CHAIR'S CORRESPONDENCE**

The Chair made reference to an email from Councillor Ryves which had been circulated to all Members of the Audit Committee.

A37 **DRAFT STATEMENT OF ACCOUNTS FOR 2020/2021**

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The Assistant Director, Resources referred to the training session on 20 September 2022 which all Councillors were invited to attend to provide an overview on the draft Statement of Accounts for 2020/2021 and the evolving picture going forward subject to any amendments to be presented to the committee in February/March 2023 for final approval and sign off.

The Assistant Director, Resources and Financial Services Manager presented the draft Statement of Accounts for 2020/2021, highlighted the key points and responded to observations, comments and questions in relation to:

- Current information provided on the 2019 deprivation figures and potential impact on the Council Tax support, etc.
- Actuarial changes on the pension scheme payments because of inflation.
- Valuations of the pension fund and liability
- Reduced Capital Programme and reasons for £6.2m slippage/outturn.
- Movements and level of reserves - usable and unusable reserves.
- Triannual evaluation of the pension fund and annual updates from actuaries.
- Pension reserves – statutory requirement and Borough Council's responsibility.
- Government Grants and contributions/business grants/other potential Government grants on an ongoing basis and payback.
- Clarification on technical accounting movements.
- Expenditure/charges relating to the Collection Fund/redistribution of billing authority to other local authorities. The Financial Services Manager undertook to ascertain the cost of passporting onto other precepting bodies in the Council's county area to allow them to operate their business.
- Precepts, demands and shares.

In response to questions from Councillor Ryves specifically in relation to the movements of the Council's reserves/actuarial deficit of the pension fund, the Assistant Director, Resources undertook to schedule a discussion with Councillor Ryves to explain the mechanics/accounts in more detail.

Following questions from Councillor Morley on the net gains and losses on fair value adjustments on investments properties, the Chair advised that this particular issue was considered in depth in the training session. The Financial Services Manager agreed to discuss with Councillor Morley outside the meeting.

The Assistant Director, Resources explained that following a comment received from Councillor Ryves wishing to view a revised draft Statement of Accounts, that the draft accounts would be updated and a second draft forwarded to the External Auditors when ready to commence the audit. A second draft Statement of Accounts 2020/21 would then be circulated to the Audit Committee together with a note setting out the changes.

M Hodgson, Ernst Young responded to questions from the Chair in relation to a consistent interpretation being adopted by both the Borough Council and the external auditors with regard to technical accounting movements.

The Chair thanked M Hodgson, Ernst Young, the Assistant Director, Resources and the Financial Services Manager for presenting the complex information and responding to questions.

RESOLVED: The Committee noted the draft Statement of Accounts for 2020/2021, subject to any amendments to be presented to the Committee in February/March 2023 for final approval and sign off.

A38

DRAFT ANNUAL GOVERNANCE STATEMENT 2020/2021

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The Corporate Performance Manager presented the Council's draft Annual Governance Statement (AGS) 2021 to the Committee for approval.

It was explained 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 draft AGS was attached at Appendix A to the report.

The Corporate Performance Manager drew the Committee's attention to the following points:

- Financial Year 2020/21 was heavily influenced by the response to Covid-19, reference was made in section 14 AGS to highlight the response of the Borough Council and the impact on services and general functioning set out on page 178.

- History – document for a financial year which had passed. Appendix B of the AGS included a proposed Action Plan for the 2021/22 financial year set out on page 185. Clearly time had passed and the Council was in a different financial year. A progress column had been added to set out steps made over time.
- Length of document – The Corporate Performance Manager highlighted that he had listened to comments made by the Audit Committee and gave assurance that the version for 2021/2022 financial year was approximately 50% shorter than the draft document for 2020/2021.

Councillor Morley asked why the outcomes of actions in the Action Plan for 2020/21 had not been included in the report. In response, the Corporate Performance Manager explained that the format in previous years had been used but added that he could update the document if there was sufficient time prior to signatures being added and if the Committee so wished.

In response to a comment from the Chair on the completion of actions taken place within the normal timescale for the production of the statement or were there things that had occurred afterwards, the Corporate Performance Manager explained that there was a combination of both, some may have been dealt with and others could have been pushed through to subsequent years.

Following further comments from Councillor Morley on actions yet to be addressed, for example, item 20 in Appendix A – Service Level Agreements, should have included the two other 100% owned subsidiaries had yet to be agreed. The Corporate Performance Manager explained that those points would come forward with the recommendations following the review of the governance of companies report which would be presented to the Corporate Performance Panel and Cabinet in the forthcoming weeks/months.

The Assistant Director, Resources confirmed the case set out above and that she had been involved in the Service Level Agreements and that the action was being undertaken at the current time.

Councillor Morley added that if there was sufficient time could a date i.e. 31 March 2021 be included to set out the state of play as at that date and commented that it would be good to see on a performance basis how many were delivered. The Chair commented that the Corporate Performance Manager had indicated that it was possible to include the results if the Committee so wished.

Councillor Morley commented that the document highlighted a huge raft of policies that the Council had and referred to the roles and responsibilities of the Audit Committee which would be updated was behind time and asked if anyone had gone through the documents to see whether or not they were current/rolled over from an audit

perspective. The Chair asked the Corporate Performance Manager if the statements were valid the time the AGS when it should had been prepared within the required timeframe. The Corporate Performance Manager explained that the method of drafting the AGS was carried out in consultation with the Council's Management Team as part of the moderation of drafting the document and therefore went through the relevant managers so effectively managers were asked to confirm that the policies, procedures etc stood and was fit for purpose at the point of preparing the document. Reference was made to the Internal Audit Manager's report as to whether a formal self- assurance sign off should be implemented and added that this was something the Management Team were considering and there was need to revisit this piece of work on the back of the Internal Audit Manager's report.

The Internal Audit Manager explained that the Internal Audit had recently undertaken a review of policies across the Council and recommended improvements. Tier 1 and 2 policies overall grading was reasonable so there were no significant concerns on how up to date the policies were but reflection that they were regularly reviewed on a timetabled basis. The Internal Audit Manager added the Audit Committee would receive assurances over those policies and through each audit undertaken and explained that one of key controls - is there a policy and procedure and was it up to date, latest information so the Committee could also receive assurance through this way.

The Chair commented that many of the policies were dated in the text and that there was a qualitative statement of the relevant policies and that there were other actions that could be taken to enhance the definition what applied when and how which was a learning point the Council needed to consider going forward and asked if it was an impediment to agreeing the Draft Annual Governance Statement 2020/21.

The Chair drew attention to recommendation a) which was agreed by the Committee.

The Chair then drew the Committee's attention to recommendation b) and asked if there was any further information required. The Chair sought the view of the External Auditor on the AGS 2020/21 and the fact that the Council was looking at it 12 months later did he believe this was an impediment that needed to be addressed. In response, M Hodgson, Ernst Young explained that AGS reflected the framework and risks in place for the financial year to which it related and that there was also a requirement to update the document if anything significant occurred between 31 March of that financial year and the date it was finally authorised.

The Assistant Director, Resources clarified that the sign off of the AGS 2020/21 took place at the same time that the Statement of Accounts 2020/2021 was signed off and that there was discretion to amend the document up to the date it was signed off.

The Chair commented that there was further research to be undertaken to consider the potential risks or otherwise and asked the Corporate Performance Manager to work with the Assistant Director, Resources and the Financial Services Manager to ensure that there was a robust case to underwrite the governance arrangements in place.

Councillor Morley commented on a key issue highlighted by the Corporate Performance Manager dependence on the inputs from Executive Directors and Assistant Directors and Service Managers and a note from either the Chief Executive or Assistant Director, Resources should say to those managers how important it was that correct data was delivered to the centre so that the Corporate Performance Manager did not have to collate a large amount of documents and recommended that the Audit Committee highlighted the issue.

In response, the Chair added that personally he would welcome the suggestion set out above by Councillor Morley which required addressing going forward.

The Chair thanked the Corporate Performance Manager for the report.

RESOLVED: a) The Committee confirmed that the Annual Governance Statement 2021 (as attached) properly reflected the risk environment and that actions required to improve it were in hand.

b) The Corporate Performance Manager to work with the Assistant Director, Resources and the Financial Services Manager to ensure that there was a robust case to underwrite the governance arrangements in place prior to signing off the AGS 2020/21 at a future meeting.

A39

BUSINESS CONTINUITY ANNUAL UPDATE

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The Environmental Health Manager presented the report which outlined the current position of the Council's business continuity arrangements, summarised progress made since the last update on 12 October 2021 and described work that was planned to be undertaken over the coming months.

The Committee was advised that the Council had a responsibility as a Category 1 responder under the Civil Contingencies Act 2004 to develop and maintain plans to ensure that, as far as is reasonably practicable, key services can continue to be performed in the event of a disruption or emergency.

With regard to the discussion on Business Continuity Portal Webpage and information on the back of Councillors and Officers ID card there

being confusion a Task and Finish Group had been set up to look at how this was communicated and what was expected. It was noted that if all IT systems were lost the portal was standalone so a message could be published and also followed the recommendations identified from the audit previously undertaken.

Councillor Storey commented that he would welcome an annual update report to the Committee and added that it was a detailed report.

In response to questions from Councillor Morley regarding the potential to roll out CCTV within the Borough, the Environmental Health Manager advised Councillor Morley to contact M Chisholm, Assistant Director Commercial Services or to send a question through Members Enquiries.

In response to further questions from Councillor Morley on the Business Continuity Portal Web page, the Environmental Services Manager advised that regular updates were available during the year and the role of the Business Continuity Portal would be looked at by the Task and Finish Group who would recommend a number of options.

The Chair thanked the Environmental Health Manager for the clear and concise annual report.

RESOLVED: The Committee:

- 1) Reviewed progress made and endorsed the approach being taken to the Council's business continuity arrangements.
- 2) Confirmed that annual updates be received.

A40

AUDIT COMMITTEE TERMS OF REFERENCE

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In presenting the report, the Internal Audit Manager explained that the Audit Committee was established in 2006, with Terms of Reference drawn up in line with the guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). The Terms of Reference should be reviewed every three years by the Committee and any updates presented to Cabinet for approval and Council for approval and incorporation into the constitution.

The key issues were outlined as set out in the report and the following amendments were suggested:

- A commitment to reviewing the Terms of Reference every three years by the Committee and if changes were agreed recommending those were approved by Council.

- The Committee's responsibility for receiving assurances on the Council's Local Authority Trading Companies.
- The term Chairman revised to Chairperson.

The Chair advised that some members of the Committee had discussed related topics prior to the meeting as part of a self-assessment process for CIPFA.

Councillors Lowe and Storey commented that they supported the three recommendations set out in the report.

The Chair advised that he was aware of the changes to the CIPFA requirements and potential new guidelines in 2023 and added that as Chair he was content to adopt the changes to the Terms of Reference but highlighted that a more detailed review may be required of things that had been agreed by the Audit Committee over the recent years to bring it up to date from 2019 to make sure that the Committee had not made commitments in the past which also needed to be embodied in the Terms of Reference plus the fact that there would be a new Administration in May 2023 and that there would also need to be a review.

Comments were made by the Committee on the importance of presence of the Portfolio Holder at meetings to listen to comments and add knowledge/experience but not to participate in the decision making process.

RESOLVED: The Audit Committee approved the TOR and recommend to Cabinet and Council that the revised Terms of Reference for the Audit Committee be adopted subject to the consideration of Internal Audit undertaking a review being undertaken following the changes in CIPFA guidance and a new Administration in May 2023.

A41

INTERNAL AUDIT ASSESSMENT RISK MATURITY

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The Internal Audit Manager explained that the purpose of the report was to provide the Audit Committee with the Internal Audit assessment that was undertaken of the Council's risk maturity and outlined the recommendations that had been proposed to Management Team for consideration.

The key issues set out in the report were noted by the Committee.

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

Councillor Morley asked if the Borough Council's approach could have more than one risk appetite and gave an example of the Town Deal and Cabinet meeting earlier that date, taking a higher risk, flexibility in the policy, etc In response, the Internal Audit Manager explained that the scoring mechanism and alignment to the appetite enabled the Council to take the risk if willing to go over and be transparent, ordinarily the Council would not be prepared to accept that much risk but because of the circumstance and highlighting through transparent reporting that this is the case and added that risks could be tailored to individual projects/categories.

The Chair commented that the points made by Councillor Morley had been noted by the Internal Audit Manager.

The Chair thanked the Internal Audit Manager for the report.

RESOLVED: The Audit Committee received the report on Risk Maturity.

A42

UPDATE ON AUDIT PROGRESS AND TIMETABLE - VERBAL REPORT

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This item was discussed before Item 7 on the Agenda

The Assistant Director, Resources introduced Mark Hodgson from Ernst Young.

M Hodgson, Ernst and Young provided a verbal update, the key points of which are set out below:

- Context/background on backdated sets of accounts for the Borough Council 2019/2020 and following years and other local authorities nationally.
- Number of issues currently for UK Public Sector Auditors.
- 2019/2020 audit to be concluded prior currently scheduled to be completed in February 2023 (earliest point in schedule to perform work). It was noted that if a window became available prior to this date, work would be undertaken sooner than February 2023.
- 2020/2021 Statement of Accounts work to commence immediately (6 week block scheduled) following finalising the Statement of Accounts for 2019/2020.
- Statement of Accounts 2021/2022 to commence summer 2023.

M Hodgson, Ernst Young, the Assistant Director, Resources and the Financial Services Manager responded to questions and comments in relation to:

- Recruitment and retention of staff at Ernst Young/all public sector audit firms.
- Outstanding issues on the 2019/2020 accounts to be resolved between the Borough Council and Ernst Young to conclude the audit.
- Consequences for the Borough Council as an entity failing to deliver accounts for such a long period of time and relationships with funding providers/ stakeholders.
- Necessary elements to report as a Borough Council.
- Borough Council's cautions approach when setting the budget in relating to the 2019/2020 and subsequent years not being audited.
- Impact and decisions relating to reserves/uncertainty relating to funding streams/caveats to be included within the Council's Financial Plan going forward.

In response to questions from Councillor Ryves relating to risks identified in previous reports, in particular, the risk relating to lack of success achieving the £3.2m application to National Lottery Fund in respect of Guildhall and the announcement to be made on 15 September 2022, the Assistant Director, Resources explained that she did not have the information to hand and would respond direct to Councillor Ryves.

The Assistant Director advised that M Hodgson, Ernst Young would present the External Audit at a future meeting.

The Chair thanked M Hodgson, Ernst and Young for the update.

RESOLVED: The Committee noted the progress report.

A43

CABINET FORWARD DECISIONS LIST

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The Chair reminded the Committee to be aware of the Cabinet Forward Decisions List and to identify any items for the Committee's work programme.

The Chair passed a list of items to the Democratic Services Officer to identify which Panel would be considering those items.

A44

COMMITTEE WORK PROGRAMME

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21 November 2022:

External Audit Plan for 2021/2022 – M Hodgson, Ernst Young

The Assistant Director, Resources advised that the work programme was flexible and items listed would be rescheduled as appropriate.

20 February 2023:

Audit Committee Self-Assessment Questionnaire/Position Statement Outcomes – F Haywood

A45 **DATE OF NEXT MEETING**

The next meeting of the Audit Committee will take place on 21 November 2022 at 4.30 pm in the Council Chamber, Town Hall, King's Lynn.

The meeting closed at 6.41 pm