

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

Minutes from the Meeting of the Audit Committee held on Monday, 17th April, 2023 at 4.30 pm in the Council Chamber, Town Hall, Saturday Market Place, King's Lynn PE30 5DQ

PRESENT: Councillor I Devereux (Chair)
Councillors Mrs J Collingham, P Gidney, J Lowe, C Manning (Vice-Chair),
C Morley and J Rust

Portfolio Holders

Councillor Mrs A Dickinson, Finance

Officers:

Michelle Drewery, Assistant Director – Resources/Management Team
Representative

Jamie Hay, Senior Internal Auditor

Carl Holland, Financial Services Manager

Wendy Vincent, Democratic Services Officer

A79 APOLOGIES

Apologies for absence were received from Councillor A Ryves and F Haywood.

A80 MINUTES

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The minutes of the meeting held on 20 February 2023 were agreed as a correct record and signed by the Chair, subject to the following amendments:

A70: page 802, penultimate paragraph be amended to read:

Councillor Gidney added that it was a complex document and that in his view he would like to **concentrate** on

A71: page 804, paragraph 6 be amended to read:

In response to questions from Councillor Moriarty on experience from other councils, the Internal Audit Manager explained that she was aware that other Councils had **moved**

A81 DECLARATIONS OF INTEREST

There were no declarations of interest.

A82 URGENT BUSINESS UNDER STANDING ORDER 7

There was no urgent business.

A83 MEMBERS PRESENT PURSUANT TO STANDING ORDER 34

There were no Members present under Standing Order 34.

A84 CHAIR'S CORRESPONDENCE (IF ANY)

There was no Chair's correspondence.

A85 STRATEGIC INTERNAL AUDIT PLAN FOR THE FINANCIAL YEAR 2023/2024

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The Senior Internal Auditor presented the report which provided the proposed Strategic Internal Audit Plan for 2023/24 to 2026/27, the Annual Internal Audit Plan for 2023/24 and the Internal Audit Charter. The Committee was informed that the plan would provide the basis for the Annual Audit Opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management.

The Committee was advised that the Charter and Internal Audit Strategy outlined how the internal audit function was set up and formal documents. The Senior Internal Auditor explained that this was particularly wordy and invited Members to focus on the areas set out below:

- Strategic Internal Audit Plan
- Annual Audit Plan 2023/24

The Senior Internal Auditor informed the Committee that section 1.4 of the report outlined the areas that had been considered for the development of the plan. The Internal Audit Team produced the strategic audit plan based upon all those details which was being presented to the Committee today.

The Committee was informed that to produce the plans, the Internal Audit Team had set out all the auditable areas and reviewed those against previous audits and reviews and then discussed these holding one-to-one sessions with all of the responsible officers across the organisation for these areas. The risks had been identified against

each area. The Internal Audit Team had good conversations with each of the Assistant Directors/responsible officers and had linked back the plan to the Corporate Risk Register.

It was noted that the Internal Audit Team had set 323 audit days over a total of 22 audit reviews for 2023/24. The Senior Internal Auditor advised that 50 days of this time related to audit management work undertaken by Eastern Internal Audit Services in accordance with the Council's agreement in place with them. This covered areas such as quality assurance, follow up, advice and guidance, Audit Committee papers and attendance.

Audit days had been calculated considering other work commitments such as Anti-Fraud and Anti-Corruption related work, training and development and other non-chargeable time (including Project related work – such as assisting with the Energy Rebate Schemes, and recently assisting with the due diligence and fraud risk controls around UKSPF and REPF schemes, other areas will be looked at during the year such as testing of Disabled Facilities Grants for the purposes of the Better Care Fund annual declaration.

Internal Audit Charter

This essentially had not had any changes made to it since last year, as there had been no changes to how the internal audit function was set up.

Strategic Audit Plan (this should be Appendix 3 not 2)

Outlined the associated risks and justification for each audit area and plotted the audit days allocated for each area and the year they were currently assigned to them.

Annual Internal Audit Plan 23/24 (Appendix 4)

Provided concise details of each planned audit for 2023/24 including the quarter and number of days assigned for each audit.

The Committee was invited to approve the plan, the Internal Audit Team would then focus on its delivery. The Senior Internal Auditor commented that any questions or comments on the plan would be welcomed. Members were also asked to identify if there was anything not on the plan that had been expected to see.

In response to a question from the Chair on the Internal Audit Charter 2023/2024, the Senior Internal Auditor explained that there were no major amendments, but a brush touch approach had been applied and drew the Committee's attention to the table at 2.1 and explained that an amendment had been made in previous versions the 0.7 FTE Auditor.

The Senior Internal Auditor responded to questions in relation to the consideration of appointing an independent person(s) in the future. Councillor Morley requested that this action point be followed through to the work programme for the new Audit Committee post May 2023 Election.

In response to questions from Councillor Morley, the Senior Internal Auditor provided an overview on the number of staff within the Internal Audit Team, together with an explanation as to how the number of audit days were calculated for the delivery of the Internal Audit Plan 2023/2024 and added that a contingency had been built in.

Following further questions from the Chair on the planned number of audit days, the Senior Internal Auditor explained that 50 hours had been allocated for management provided by Eastern Internal Audit Services.

The Senior Internal Auditor provided clarification on the contract arrangement with Eastern Internal Audit Services.

Councillor Gidney commented on the technical aspects of the presentation and added that an A3 paper copy would be preferable and also went on to say that it was difficult to cross reference items in the current format.

Councillor Morley concurred with the comments made by Councillor Gidney and asked that an action point be recorded to look at ideas on how to present the information in a more understandable format and to focus on the key issues and high risk areas.

Councillor Rust expressed concern on the number of audit days scheduled for the high risk areas, that some items had been deferred and that there was a lack of consistent language used, for example, definition of substantive. In response, the Senior Internal Auditor provided an explanation of the following current assurance options as set out below and undertook to circulate a copy to the Committee:

- Substantial Assurance.
- Reasonable Assurance.
- Limited Assurance.
- No Assurance.

Following further questions and comments from Councillor Rust, the Senior Internal Auditor advised that details of last year's audits which included payroll, pay award and Alive West Norfolk, together with recommendations would be presented to the Audit Committee at the June 2023 meeting. The Committee's attention was drawn to Appendix 2 – Strategic Internal Audit Plan which set out the details of the audit area, last review and assurance, associated risk, number of days allocated within the next 4 year plan.

The Chair, Councillor Devereux explained the difference between the levels of assurance and the level of risk and informed Members they were two separate areas.

Councillor Morley commented on the following areas:

- Contract Management 2022/2023 – limited risk.
- Full Capital Programme and project management framework – identify high risk areas, procurement, etc.
- Proposals in relation to project management recommended by the Technical Adviser yet to be embedded.
- Importance of training to be scheduled for the Audit Committee.

The Chair, Councillor Devereux commented that training would be included in the Audit Committee Work Programme 2023/2024,

In response to the comments made by Councillor Morley, the Senior Internal Auditor explained that a recent audit had been undertaken on the Towns Fund, procurement, economic growth and a follow up audit would be scheduled for the project management framework.

Following comments made by Councillor Gidney on large projects and some projects being delivered over budget, the Assistant Director – Resources explained that the Council regularly reviews how the resources are allocated to projects and in some cases it was necessary to bring in external support when the Council did not have the relevant skills to deliver a project. The Committee was informed that the Council now had a Project Accountant within the Finance Team who worked with project officers across the Council. However this was a learning process and the project management processes proposed by the Technical Adviser would be implemented and taken forward to ensure there were the relevant control and due diligence measures in place.

Councillor Morley reference to a Cabinet report of 16 November 2021 relating to the climate change and an annual report being produced and the current position. The Chair, Councillor Devereux explained that policies, process, etc were being developed and provided an overview of the role of the Audit Committee. The Chair added in his personal view that the correct place for climate change/sustainability was the Corporate Performance Panel and potentially Cabinet to look at how it operated and performed.

The Assistant Director, Resources concurred with the comments made by the Chair, Councillor Devereux and explained that the role of the Audit Committee was to seek assurance that the correct controls were in place. Members were advised that if any gaps were identified these could be considered to be included in the audit plan. The Audit Plan now being presented to the Committee outlined the Internal Audit Plan for April 2023 to March 2024 and for the forthcoming 4 years. In conclusion, the Assistant Director, Resources explained that over the 4

year period there would be a review of audit priorities where consideration of any recommendations against priorities could be undertaken and built into the audit plan using contingency days if needed.

Councillor Rust commented that procurement and contract management had previously received a limited assurance but had not been scheduled until 2024/2025 and asked if this would be re-looked at and brought forward. In response, the Assistant Director explained that the Committee had not seen the results of some audits but was happy to discuss the concerns raised with the Internal Audit Team.

The Chair, Councillor Devereux reminded the Committee that this was an evolving process and that reports were considered by Management Team and actions points agreed. However, if a service area had rejected the findings this would be a concern for the Audit Committee and appropriate action would be taken with the Chief Executive and appropriate officer. It was noted that the audit results report would be presented to the Committee in June 2023.

The Committee approved the recommendations set out below subject to any amendments required to be reported back to the Audit Committee.

Councillor Morley added that the comments/concerns, work to be taken forward identified by the current committee should be reported to the new Audit Committee following the May 2023 Election.

RESOLVED: The Audit Committee approved the following:

- a) Internal Audit Charter 2023/24.
- b) The Internal Audit Strategy 2023/24.
- c) The Strategic Plan 2023/24 to 2026/27.
- d) For Audit Committee to consider each audit area for the year ahead and approve the plan of work for 2023/24.

A86

UPDATE ON EXTERNAL AUDIT

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The Assistant Director, Resources presented the report which provided an update on the External Audit of the Borough Council's Statement of Accounts and related activity.

Members were advised that the audit of the 2019/2020 accounts had still yet to be undertaken. It was noted that as at 31 January 2023 the National Audit Office had advised that there were 45 audits from

2019/2020 outstanding. The Assistant Director explained that the External Auditors were scheduled to attend the King's Court offices week commencing 24 April 2023.

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

- Section 2: The Accounts and Audit (Amendment) Regulations 2021.
- Section 3: Statement of Accounts 2019/20 and Subsequent Years Update.
- Section 4: Improvement Actions and Review:
- Section 5: Financial Implications.

The Committee was advised that the Council was undertaking preparation work for the External Auditors to complete the outstanding audits. The Assistant Director explained that there were no outstanding queries for the Borough Council to answer.

The Assistant Director, Resources outlined the concerns raised by the Council and explained that the Council's three statutory officers (Chief Executive, Monitoring Officer and Section 151 Officer) had written to Ernst Young highlighting the authority's concerns and requesting a timetable and allocation of resources for all the outstanding audits.

The Committee was informed that officers were still waiting for an update from Ernst Young on the fees for work undertaken to date on the 2019/2020 audit. So far, only the scale fee had been paid.

In response to a question from Councillor Morley on additional funding being available to external auditors, the Assistant Director – Resources explained that a grant had been given to all local authorities to improve the audit regime, the Council had received £20,000 for 2021/2022 but the Council are already contributing to fees in excess of the £39,000 scale fee where currently fees are estimated around £100,000 but the Council had not been notified as yet of any changes by Ernst Young that will make a difference. Reference was made to the letter the Council had received from DLUHC but was not sure if the auditors had received one.

Councillor Rust referred to the Serco contract and a condition that a fine could be imposed if the service was not delivered and asked if this could be applied to Ernst Young. In response, the Assistant Director, Resources explained that this was not just an issue with Ernst Young but was a national issue. It was also explained that the Council had opted into the PSAA tender exercise to appoint auditors and that Ernst Young had been allocated as the Council's auditors for the next term. The contract is with PSAA and the auditors and not with the Council.

The Chair, Councillor Devereux explained that he had raised the issues with regard to the delayed audits with CIPFA at the East of England Audit Chairs Forum at County Hall in Norwich on 2 August 2022.

Councillor Morley commented that only one audit had been signed off in his four year term as a Councillor.

In response to a question from Councillor Collingham, the Assistant Director provided an overview of the process for local authorities to register an interest for PSAA in order to appoint its auditors and achieve economies of scale.

RESOLVED: The Audit Committee noted the update.

A87

PERIOD 10 FINANCE MONITORING REPORT

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The Committee was reminded that the budget for 2022/2023 was presented to Cabinet on 9 February 2022 and approved by Council on 23 February 2022 in accordance with the process for approving the financial plan 2021/2026.

It was highlighted that the Council was currently estimating a contribution to the General Fund Reserves of £830,754, a favourable movement of £223,764 against a budgeted transfer of £526,990 increasing the estimated balance as at 31 March 2023 to £9,734,514.

The Capital Programme 2021/2026 was updated at Council on 23 February 2022. The current spend is £18,897,755 against a revised budget of £33,416,370. Major Projects comprises of 59% of the revised budget for the Capital Programme. The Council's Member Major Projects Board held meetings throughout the year to monitor and receive updates for these projects. Officers of the Council were reviewing the impact on the timing and funding of programme reflecting specifically recovery from the pandemic and inflation.

The budgeted turnover savings for 2022/023 were (£550,000). Following the decision of the Council on 1 December 2022 to finalise its pay award to its employees, an estimate of its impact on employee costs had been included in the report. As at the 27 January 2023 the Council had 63 vacant posts of which 28 were in active recruitment phases. Of those note in active recruitment phases at the time, there were 35 in total, consisting of 3 covered by agency workers/contractors, 32 on hold pending further instruction from the service. The table at 2.3 showed those costs and savings. The calculation was based on an estimate for the impact of the cost of living pay award, assumed that the current level of vacant posts would remain similar for the remainder of the financial year and estimates the spend on other costs to the end of the year.

The Financial Services Manager presented the Budget Monitoring Report – January 2023 and highlighted the following sections of the report:

- Summary.
- Revenue Budget 2022/2023 – Budget Summary, Turnover Savings, Opportunities, Risks.
- Capital – Budget and Spend 2022/23, Notes to Capital Budget Revisions and Movement table.
- Reserves – Budget Revisions and Movements: Ring Fence Reserves, Service Delivery.
- Age Debt Analysis.
- Council Tax and Business Rates.
- Treasury Management 2022/23 – Prudential Indicators, Loans, Investments.
- Conclusion.
- Appendix A – Budget Monitoring Variances October 2022.
- Appendix B – Capital Programme 2021/2026.
- Appendix C – Limits and Purposes for Earmarked Reserves.
- Appendix D – Age Debt Analysis – Period 7.

The Assistant Director, Resources responded to questions from Councillor Collingham in relation to turnover savings, recruitment and agency staff fees.

In response to questions from Councillor Morley on number of FTEs and impact on the level of service delivery, the Assistant Director provided an overview on the challenges facing recruitment to posts and the temporary use of interim or agency staff but highlighted that any impact to service delivery was reflected in performance reports.

Following questions from Councillor Rust on turnover savings, holding positions vacant and gap between an employee leaving, recruitment process and gap before new officer appointed, cost of interim/agency staff, the Assistant Director outlined the period of time from when an employee resigned, recruitment process, etc to appoint a successful candidate. The Committee was informed that a different approach was adopted when specific skills were required it was necessary to obtain the external expertise of a consultant, interim post or agency staff and the daily salary rates could vary from £200 to £1,000 depending on the qualifications or skills required. The Assistant Director highlighted that a contingency had been built into the budget to provide support to teams and alleviate pressures/stress levels for officers.

The Assistant Director, Resources responded to questions and comments from Councillor Morley on the estimated and actual spend/ringfenced reserves to date on the Capital Programme. The Assistant Director, Resources explained that a breakdown on how the capital programme was resources was provided as part of the budget

setting consultations following questions raised at one of the panels and invited Councillor Morley to discuss the issues raised outside of the meeting.

In response to an observation from Councillor Morley on Councillors receiving regular Monthly Budget Monitoring Reports, the Assistant Director, Resources provided an overview as to why the Finance Team was not yet in a position to issue the Budget Monitoring Reports each month but explained that officers were constantly aiming to improve.

Councillor Morley further commented on the format of the report and added that in his opinion some service areas should be split into sections and gave an example of Environment and Planning.

Councillor Collingham highlighted the importance of the Committee receiving training to enable Councillors to gain a better understanding during the decision making process.

The Financial Services Manager provided clarification on Note 8 to Capital Programme.

The Chair, Councillor Devereux commented that the presentation on the Council's reserves had improved and collated in one table and was a significant step forward and would be a good utility in months and years to follow.

At the invitation of the Chair, Councillor Mrs Dickinson, Finance Portfolio Holder commented that the Budget Monitoring Report had improved since it was first presented to the Audit Committee and commended the Assistant Director, Resources and the Financial Services Manager on the work undertaken to present the report in a much better format but added that there was always room for improvement.

RESOLVED: The Committee noted the Period 10 Budget Monitoring Report.

A88

CABINET FORWARD DECISIONS LIST

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The Committee noted the Cabinet Forward Decision List.

The Chair, Councillor Devereux highlighted the importance of the Committee reading and understanding reports and commented that consideration may be given to the Committee separating into small groups to undertake a "deep dive" and report back findings to assist with the improvement programme to help clarify things for the future.

The Assistant Director, Resources highlighted that there was a recommendation of best practice for a report from the Audit Committee to Cabinet or Council on the work undertaken and that the objective was raising the importance of the work of the Audit Committee to a wider audience. The Assistant Director, Resources advised that this was an item that would be picked up with the Audit Committee post May 2023 Election.

A89

COMMITTEE WORK PROGRAMME 2023/2024

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The following items were identified for consideration to be included in the 2023/2024 work programme:

- Consideration of the appointment of Independent Person(s) to the Audit Committee and how to utilise that expertise.
- Internal Audit Plan, Policies, Strategies and Resources to ensure balance was right from a Member perspective to see where the pressures are/ought to be that would inform the improvement opportunities and decision making process.
- Role of the Audit Committee – to focus on whether there was a policy, implementation and findings of audits. Linkage with Corporate Performance Panel, project boards, project management, performance management, etc. Who was responsible for the technical scrutiny of the budget as opposed to the scrutiny of processes.
- Risk management role of the Audit Committee.
- Constitution/Scrutiny – to consider if the Constitution was robust enough to specify the scope, scale and degree of responsibility to enable the Audit Committee to undertake the correct work to the required standards.

A90

DATE OF NEXT MEETING

The next meeting of the Audit Committee will take place on 21 June 2023 at 4.30 pm in the Council Chamber, Town Hall, King's Lynn.

The Chair, Councillor Devereux expressed thanks to all Members of the Audit Committee for their input and officers for their professional advice and guidance during his time as Chair of the Committee.

The meeting closed at 6.32 pm