

Borough Council of
**King's Lynn &
West Norfolk**



RESOURCES AND PERFORMANCE – AUDIT AND RISK COMMITTEE

**Tuesday 23 April 2013
at 6.00 pm**

PLEASE NOTE CHANGE OF VENUE

Heritage Room
Town Hall
Saturday Market Place
King's Lynn
Norfolk



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Borough Council of
**King's Lynn &
West Norfolk**



King's Court, Chapel Street, King's Lynn, Norfolk, PE30 1EX.
Telephone: 01553 616200
Fax: 01553 691663

15 April 2013

Dear Member

Resources and Performance – Audit and Risk Committee

You are invited to attend a meeting of the above-mentioned Committee which will be held on **Tuesday 23 April 2013**, at **6.00 pm** in the **Heritage Room, Town Hall, Saturday Market Place, King's Lynn**, to discuss the business shown below.

Yours sincerely

Chief Executive

AGENDA

1. Apologies for absence

To receive any apologies for absence.

2. Minutes

To approve the minutes of the Resources and Performance – Audit and Risk Committee meeting held on 26 March 2013 (previously circulated).

3. Declarations of Interest

Please indicate if there are any interests which should be declared. A declaration of an interest should indicate the nature of the interest (if not already declared on the Register of Interests) and the agenda item to which it relates. If a disclosable pecuniary interest is declared, the Member should withdraw from the room whilst the matter is discussed.

These declarations apply to all Members present, whether the Member is part of the meeting, attending to speak as a local Member on an item or simply observing the meeting from the public seating area.

4. **Urgent Business Under Standing Order 7**

To consider any business which, by reason of special circumstances, the Chairman proposes to accept as urgent under Section 100(b)(4)(b) of the Local Government Act 1972.

5. **Members Present Pursuant to Standing Order 34**

Members wishing to speak pursuant to Standing Order 34 should inform the Chairman of their intention to do so and on what items they wish to be heard before the meeting commences. Any Member attending the meeting under Standing Order 34 will only be permitted to speak on those items which have been previously notified to the Chairman.

6. **Chairman's Correspondence** (if any)

7. **Matters referred to the Committee from other Council Bodies and responses made to previous Committee recommendations/requests**

To receive comments, and recommendations from other Council bodies, and any responses subsequent to recommendations, which this Committee has previously made. (N.B. some of the relevant Council bodies may meet after dispatch of the agenda).

8. **2012/2013 Audit Plan** (pages 1 to 20)

Members are invited to consider the report from the External Auditors.

9. **Audit and Risk Committee Work Programme** (pages 21 to 22)

Committee Members are invited to consider the attached Audit and Risk Committee's Work Programme.

10. **Date of Next Meeting**

To note that the next meeting of the Resources and Performance - Audit and Risk Committee will take place on **Tuesday 28 May 2013**.

To: Panel Members – Councillors P Beal (Chairman),
C Manning (Vice-Chairman), D J Collis, J Collop, Mrs S Collop, C J Crofts,
M Hopkins, H Humphrey, M Langwade, J Loveless, A Morrison,
D Tyler, A White, T de Winton and A Wright

Portfolio Holders:

Agenda Item 8

Councillor N Daubney, Leader and Portfolio Holder for Resources

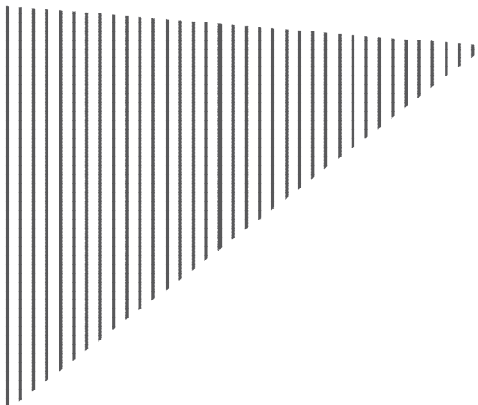
Chief Executive

Deputy Chief Executive and Executive Director, Finance and Resources

All other Executive Directors

Audit Manager

Press



Borough Council of King's Lynn & West Norfolk
Year ending 31 March 2013

Audit Plan

20 March 2013

Audit and Risk Committee
Borough Council of King's Lynn & West Norfolk
King's Court
Chapel Street
King's Lynn
Norfolk
PE36 1EX

20 March 2013

Dear Members

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Audit and Risk Committee with a basis to review our proposed audit approach and scope for the 2013 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key risks which drive the development of an effective audit for the Borough Council of King's Lynn & West Norfolk, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 23 April 2013 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Rob Murray
For and behalf of Ernst & Young LLP
Enc

Contents

1. Overview..... 1

2. Financial Statement Risks 3

3. Economy, Efficiency & Effectiveness..... 5

4. Our audit process and strategy..... 6

5. Independence..... 10

Appendix A Fees 13

Appendix B UK required communications with those charged with governance.... 15

1. Overview

Context for the audit

This audit plan covers the work that we plan to perform in order to provide you with:

- ▶ Our audit opinion on whether the financial statements of the Borough Council of King's Lynn & West Norfolk give a true and fair view of the financial position as at 31 March 2013 and of the income and expenditure for the year then ended; and
- ▶ A statutory conclusion on the Borough Council of King's Lynn & West arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements.
- ▶ Developments in financial reporting and auditing standards.
- ▶ The quality of systems and processes.
- ▶ Changes in the business and regulatory environment.
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter. And by focusing on the areas that matter, our feedback is more likely to be relevant to the Council.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

In part 2 and 3 of this report we provide more detail on the areas which we believe present significant risk to the financial statements audit, and outline our initial plans to address these risks. Details of our audit process and strategy are set out in more detail in section 4 and summarised below.

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2013.

Our process and strategy

- ▶ Financial Statement Audit
 - ▶ We will apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. We set our materiality based on the Council's level of gross expenditure. We carry out an initial assessment of materiality using the financial statements for 2011/12 but will update this when we receive the draft and final 2012/13 financial statements. We also consider the size of useable reserves, the Council's financial position, its public profile and the reporting and challenge history. Our audit is designed to identify errors above materiality.
 - ▶ We aim to rely on the Council's internal controls in the key financial systems where appropriate and efficient to do so. We identify the controls we consider important and seek to place reliance on Internal Audit's testing of those controls. Where control failures are identified we consider the most appropriate steps to take.
 - ▶ We seek to place reliance on the work of Internal Audit wherever possible. We have already liaised with Internal Audit, established the systems they are testing and are making arrangements to review this work.

- ▶ Arrangements for securing Economy, Efficiency and Effectiveness
 - ▶ We adopt an integrated audit approach such that our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.
 - ▶ We have considered the risks relevant to our value for money conclusion and have not identified at this stage any significant risks requiring specific risk-based work. We will keep our risk assessment under review taking into account: our discussions with the Council; our review of reports and minutes; the results of Internal Audit work; our opinion and certification work; review of the Annual Governance Statement; and the work of other regulators. We will also review progress on the Council's financial plans.

2. Financial Statement Risks

We outline below our assessment of the key strategic or operational risks and the financial statement risks facing the Council, identified through our knowledge of the entity’s operations and discussion with members and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<p>Revenues and benefits systems change</p> <p>The Council changed its systems for processing housing and council tax benefits, National Non-Domestic rates (NNDR) and Council Tax in early August 2012. Part of the financial statements will therefore be based on information from the old (Northgate) system and part from the new (Civica OPENrevenues) system.</p> <p>This presents a risk over the completeness and accuracy of data transfer, and the resultant figures included in the 2012/13 financial statements.</p> <p>The system change did not proceed as smoothly as the Council had anticipated, and has resulted in a significant amount of officer effort to ensure that, following a period of system close down, business could be transacted without affecting the Council’s stakeholders.</p> <p>We currently understand that the subsidy income relating to housing and council tax benefits will be derived from both the old and new systems. We have recently raised concerns with management as to how they will ensure that the income reported in the accounts is materially accurate, as there is no overall reconciliation of data other than for benefit payments.</p> <p>The Internal Audit plan was changed so that a critical friend review of the project management was carried out. However, whilst there was consideration of initial benefit payments runs, Internal Audit’s work did not extend to a review of the data transfer or the reconciliation process between the two systems. Additionally, no system controls were tested by Internal Audit in either the old or new systems.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Understanding the process the Council has undertaken to identify risks connected with the systems transition, including the role of Internal Audit. ▶ Understanding the system and controls in both the old and new systems and walking these through. This is necessary as data generated in both the old and new systems impacts on the financial statements. ▶ Specifically considering the data conversion process and how the Council has reconciled the old and new systems. ▶ Considering the risks associated with the production of the housing benefits claim, which drives the income recognised in the accounts. ▶ Substantively testing the accounts entries. Given the inherent risks of the systems transition, and the lack of controls testing by Internal Audit on which we might normally place reliance, we consider that this approach is more effective. This will include the use of predictive analytical techniques in addition to tests of details.
<p>Other financial statement risks</p>	<p>Our audit approach</p>
<p>Joint arrangements</p> <p>The Council has entered into a number of joint arrangements including the Nar Ouse Regeneration Agreement (NORA) with Norfolk County Council, and the North & West Norfolk Revenues and Benefits Joint Committee with North Norfolk District Council</p> <p>Such arrangements can be complex and need to be appropriately assessed under IAS 31, Interests in Joint Ventures to ensure that the Council’s own financial statements are appropriately prepared, and that there is no requirement for consolidated accounts to be prepared.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Understanding the process the Council has undertaken to assess these arrangements under IAS31 for its group accounting assessment. ▶ Reviewing key documentation connected with these arrangements and ensuring that it supports the Council’s assessment. ▶ Where material, considering the treatment in the Councils own financial statements (and in any group accounts should these prove necessary).
<p>Risk of misstatement due to fraud and error</p> <p>Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.</p> <p>Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material</p>	<p>Based on the requirements of auditing standards our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Identifying fraud risks during the planning stages. ▶ Inquiry of management about risks of fraud and the controls put in place to address those risks. ▶ Understanding the oversight given by those charged with governance of management’s processes over fraud.

misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk

Auditing Standards specifically require us to consider the risk from management override and revenue recognition.

- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks.

We will consider the results of the National Fraud Initiative and may make reference to it in our reporting to you.

3. Economy, Efficiency & Effectiveness

Our work will focus on:

1. Whether there are proper arrangements in place for securing financial resilience at the Council; and
2. Whether there are proper arrangements in place at the Council to secure economy, efficiency and effectiveness in the use of resources.

In our planning work so far, we have not identified any significant risks which are relevant to our conclusion on the Council's arrangements. We will continue to monitor the Council's arrangements throughout our audit, including achievement of the 2012/13 budget, financial planning for 2013/14 and 2014/15, and progress on a number of key developments the Council is undertaking, including those connected with the changes to Local Council Tax Support and business rates from April 2013.

If our assessment of risk changes based on this work, we will report this to the Audit Committee.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code'), dated March 2010, our principle objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the Council's:

- i) financial statements; and
- ii) arrangements for securing economy, efficiency and effectiveness in its use of resources.

We issue a two-part audit report covering both of these objectives.

i) Financial Statement Audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return

ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of other statutory inspectorates in relation to corporate or service performance. In examining the Council's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

4.2 Audit process overview

Our audit involves:

- ▶ Assessing the key internal controls in place and testing the operation of these controls
- ▶ Review and re-performance of the work of Internal Audit where appropriate
- ▶ Reliance on the work of other auditors where appropriate
- ▶ Reliance on the work of experts in relation to areas such as pensions and property valuations
- ▶ Substantive tests of detail of transactions and amounts

Processes

Our initial assessment of the key processes across the entity, together with the risks arising from systems transition in the year, has identified the following key processes where we will seek to test key controls, both manual and IT:

- ▶ Accounts receivable
- ▶ Procure to pay
- ▶ Cash processing

Other material items of account will be tested substantively at year end.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular in respect of payroll and journal entries. These tools:

- help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

We will review internal audit plans and the results of work undertaken. We will reflect the findings from these reports, together with reports from other work completed in the year, in our detailed audit plan, where issues are raised that could impact the year-end financial statements.

Use of experts

We will utilise specialist Ernst & Young resource, as necessary, to help us to form a view on judgments made in the financial statements.

Other procedures

In addition to the key areas of emphasis outlined, we have to perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline the procedures we will undertake during the course of our audit.

Mandatory procedures required by auditing standards on:

- ▶ Addressing the risk of fraud and error.
- ▶ Significant disclosures included in the financial statements.
- ▶ Entity-wide controls.
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement.
- ▶ Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO.
- ▶ Reviewing, and where appropriate, examining evidence that is relevant to the Council's corporate performance management and financial management arrangements and reporting on these arrangements.

4.3 Materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. As a first year engagement, this judgement results in a lower materiality level than applied by your previous external auditor.

We have considered the implications for this in respect of the Council's opening balances. This includes:

- ▶ Considering whether the work of the previous auditor provides sufficient assurance over the opening balances; and
- ▶ Assessing the impact of prior year unadjusted errors on the current year financial statements.

Our initial view is that these do not pose significant risks to our audit, but we will keep this under review as this work is completed.

We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

ISA (UK & Ireland) 450 (revised) requires us to record all misstatements identified except those that are "clearly trivial". We intend to treat misstatements less than £47,825 as clearly trivial. All uncorrected misstatements found above this amount will be presented to you in our year-end report.

4.4 Fees

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of the Borough Council of King's Lynn and West Norfolk is £67,488.

During our initial audit planning procedures we have identified some areas which represent a change in audit scope to the risks and assumptions made by the Audit Commission in setting the 2012/13 audit scale fee. These include the change in revenues and benefits systems during the year and the absence of Internal audit controls testing of those systems during

2012/13, the increased number of developments the Council has entered into or is about to enter into, and elector correspondence. We will need to complete additional audit procedures to ensure the accounts are free from material error and misstatement, and to comply with our duties as the Council’s external auditor. We are assessing the likely impact for our audit and will discuss and agree a variation to our audit fee with Council’s management before informing the Audit Commission of the variation. We will update the Council’s Audit and Risk Committee at a future meeting.

4.5 Your audit team

The engagement team is led by Rob Murray, who has significant experience of the audit of District Councils. Rob Murray is supported by Helen Devlin who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the chief accountant.

Both Rob and Helen have had initial familiarisation meetings with the Council’s senior finance staff.

4.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts; and the deliverables we have agreed to provide to you through the Audit and Risk Committee cycle in 2013. These dates are determined to ensure our alignment with the Audit Commission’s rolling calendar of deadlines.

We will provide a formal report to the Audit and Risk Committee in September incorporating the outputs from our year-end procedures. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit and Risk Committee Chairman as appropriate.

Following the conclusion of our audit we will prepare an annual audit letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Audit and Risk Committee timetable	Deliverables
High level planning:	November/ December		Audit Fee letter
Risk assessment and setting of scopes	January/ April	Audit and Risk Committee	Audit Plan
Testing of routine processes and controls	March/June		
Year-end audit	July – September		
Reporting		Audit and Risk Committee	Report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Audit completion certificate Whole of Government Accounts Certification
Reporting	October	Audit and Risk Committee	Annual Audit Letter
Reporting	February 2014	Audit and Risk Committee	Annual report on the certification of grant claims and returns

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

Self interest threats

A self interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved and that are in compliance with the Audit Commission's Standing Guidance.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard 4.

There are no other self interest threats at the date of this report

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that Ernst & Young is independent and the objectivity and independence of Rob Murray, your audit engagement director, and the audit engagement team have not been compromised.

5.3 Other required communications

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 29 June 2012 and can be found here:

[UK 2012 Transparency Report](#)

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2012/13	Actual Fee 2011/12	Explanation of variance
	£'000	£'000	
Total Audit Fee – Code work	67,488	126,352	40% reduction in line with Audit Commission announcement on scale fees. The 2011/12 fee includes additional fees of £13,872.
Certification of claims and returns	30,100	52,940	See notes below.

The agreed audit fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ We are able to place reliance, as planned, on the work of internal audit;
- ▶ The level of risk in relation to the audit of accounts is consistent with the Audit Commission's assumptions when setting the scale fee;
- ▶ No significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based;
- ▶ Our accounts opinion and use of resources conclusion being unqualified
- ▶ Appropriate quality of documentation is provided by the Council
- ▶ An effective control environment

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. We have already identified that the risk profile is different to that used by the Audit Commission when setting the planned fee. The reasons for this are set out in section 4.4 of this report. A variation to the scale fee will be discussed with you in advance and reported to the Audit Commission and the Audit and Risk Committee.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

*Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission. The Audit Commission's Programme of Fees and Work Programme 2012/13 states that the indicative grant fee is based on the latest actual certification fees for 2010/11. We consider that the change in revenues and benefits systems part way 2012/13 will also impact our fee for the certification of the housing benefits claim and the National

Non-Domestic Rates Claim, and that this will lead to a variation from the indicative scale fee. Our final fees for the certification work will be reported to you via our 2012/13 Annual Certification of Claims and Returns Report in early 2014.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the audit committee of audited clients. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit	Report to those charged with governance
<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits 	
Misstatements	Report to those charged with governance
<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	
Fraud	Report to those charged with governance
<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable:	Report to those charged with governance
<ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	
External confirmations	Report to those charged with governance
<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	
Consideration of laws and regulations	Report to those charged with governance
<ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	
Independence Communication of all significant facts and matters that bear on Ernst & Young's objectivity and independence	Audit Plan Report to those charged with

Required communication	Reference
<p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence ▶ 	governance
<p>Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Report to those charged with governance
<p>Significant deficiencies in internal controls identified during the audit</p>	Report to those charged with governance
<p>Opening Balances (initial audits)</p> <ul style="list-style-type: none"> ▶ Findings and issues regarding the opening balance of initial audits 	Report to those charged with governance
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	Audit Plan Report to those charged with governance and Annual Audit Letter if considered necessary

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AUDIT AND RISK COMMITTEE WORK PROGRAMME 2013/2014**28 May 2013**

- Quarterly Progress Final Report 2012-2013
- NFI Update
- Benefit Investigations Unit Annual Report
- Update on progress with Data Matching Exercise (see minutes from August 2012 for more information) – K Littlewood

16 June 2013

- Final Accounts and Statement of Accounts for year ended 31 March 2013
- Corporate Risk Monitoring Report (October 2012 to March 2012)

25 June 2013

- Internal Audit Annual Report 2012/2013
- Review of the Effectiveness of Internal Audit Service
- Risk Management
- Business Continuity – Annual Update

23 July 2013

- Internal Audit Terms of Reference Update
- Quarterly Progress Update Quarter 1 2013-2014
- Audit and Risk Effectiveness Review

27 August 2013

- National Fraud Initiative 2011/13 Summary of Work

9 September 2013

Special Meeting – to consider the Statement of Accounts 2012/2013
Annual Governance Statement

24 September 2013

29 October 2013

- Internal Audit Plan 2013/2014 – Progress report for the quarter July to September 2013
- Risk Management
- NFI Update

26 November 2013

- Benefit Investigations Unit Half-Year Report – S Munson
- Annual Audit Letter – to be presented by the Council's External Auditor

7 January 2014

27 January 2014

25 February 2014

- Quarterly Progress Report Quarter 3 2013-2014
- Strategic Internal Audit Plan 2014-2015

25 March 2014

- Business Continuity – Annual Update
- BCKL&WN Audit Plan 2014/2015 (external)
- Internal Audit – Strategic Audit Plan 2014/15

29 April 2014

- Corporate Risk Monitoring Report (October 2013 to March 2014)