

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

RESOURCES AND PERFORMANCE – AUDIT AND RISK COMMITTEE

**Minutes of a Meeting of the
Resources and Performance – Audit and Risk Committee,
held on Tuesday 27 March 2012 at 7.36 pm, in the Wembley Room,
Lynnsport, Green Park Avenue, King's Lynn**

PRESENT:

Councillors Mrs K Mellish (Chairman), P Beal (Vice-Chairman), Mrs J Collingham,
D J Collis, C Crofts, J Collop, Mrs S Collop, J Loveless,
A Lovett (Substitute for D Tyler), C Manning (Substitute for T de Winton),
A Morrison and A White

Portfolio Holders:

Councillor N Daubney, Leader and Portfolio Holder for Resources

Apologies for absence were received from Councillors T de Winton, H Humphrey,
D Tyler and G Wareham

ARC117: **MINUTES**

The minutes of the meeting held on 28 February 2012 were confirmed as a correct record and signed by the Chairman subject to Councillor Mrs S Smeaton being added to the list of those Members present as a substitute for Councillor Mrs K Mellish.

ARC118: **DECLARATIONS OF INTEREST**

There were no declarations of interest.

ARC119: **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business to report.

ARC120: **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

ARC121: **CHAIRMAN'S CORRESPONDENCE**

The Chairman had no correspondence to report.

ARC122: **MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS RECOMMENDATIONS/REQUESTS**

There were none.

ARC123: **EXTERNAL AUDIT PLAN 2011/2012 – AUDIT THRESHOLDS**

In presenting the report, the Deputy Chief Executive reminded the Committee that at the meeting on 28 February 2012, Members expressed concern that the statement made relating to materiality was in the public domain and that the information could be misconstrued and cause adverse comments to the Council. The Committee requested that the Deputy Chief Executive explained the use of thresholds by the External Auditor when auditing the closing of the Council's Accounts.

The Committee was advised that the External Auditors must give an opinion on whether the Council's Statement of Accounts gave a true and fair view of the Council's affairs as at the dates stated in the Accounts. This was generally meant to mean that the accounts were free from material misstatements (i.e. errors). Materiality was a judgmental concept and was generally defined as an amount of disclosure that if it had been corrected, would have altered the views/conclusions of the users of the accounts.

In their Audit Plan 2011/2012, PricewaterhouseCoopers stated that the 'rule of thumb' was equal to 2% of gross expenditure – approximately £2m. Consequently, this represented the maximum value of any unadjusted misstatements in the accounts that management may choose not to make.

The Deputy Chief Executive explained that ISA260 required all unadjusted misstatements to be reported to the Committee except those that were "clearly trivial." The auditing standard does not define "trivial." Therefore, unless the External Auditors received an alternative direction from the Committee, any misstatement that would affect the rounding in the accounts (so greater than £500) would need to be reported. In the context of the Council's overall expenditure (over £100m) and assets (total assets were over £160m) the reporting of such small items may be seen as inefficient and immaterial to the financial statements. As a result, the External Auditors had proposed setting a threshold of £100,000 for the reporting of identified misstatements to the Committee.

The Deputy Chief Executive informed the Committee that the key issue went back to the point of would the reporting of an item alter the views/conclusions of those reading/using the accounts. In most cases the uncorrected amendments below £100,000 would not alter the view of the accounts, but where it may do so then the auditor and/or Deputy Chief Executive would ensure that the amendments were made to the accounts.

Councillor Morrison proposed the following amendment to paragraph 3:

*Materiality was a **matter of judgement** concept and was generally defined as an amount of disclosure that, if it had been corrected, would have altered the views/conclusions of the users of the accounts.*

The Committee agreed the above amendment.

RESOLVED: The Committee agreed that the audit thresholds note be included as an explanatory note in the External Audit Plan 2011/2012 subject to the amendment set out above proposed by Councillor Morrison.

ARC124: **AUDIT AND RISK COMMITTEE WORK PROGRAMME**

The Committee considered its Work Programme.

RESOLVED: That the Committee's Work Programme be noted.

ARC125: **DATE OF NEXT MEETING**

The Committee noted that the next meeting would be held on Tuesday 24 April 2012.

The meeting closed at 7.43 pm