

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 28 February 2012 at 6.00 pm, in the Committee Suite
King's Court, Chapel Street, King's Lynn**

PRESENT:

Councillors P Beal (Chairman), Mrs J Collingham,
D J Collis, C Crofts (Vice-Chairman), J Collop, T de Winton,
J Loveless, A Morrison, D Tyler, G Wareham and A White

Apologies for absence were received from Councillors Mrs S Collop, N Daubney,
M Hopkins, H Humphrey and Mrs K Mellish

ARC106: **ELECTION OF VICE-CHAIRMAN**

RESOLVED: That Councillor Crofts be elected Vice-Chairman for the meeting.

ARC107: **MINUTES**

The minutes of the meeting held on 31 January 2012 were confirmed as a correct record and signed by the Chairman.

ARC108: **DECLARATIONS OF INTEREST**

There were no declarations of interest.

ARC109: **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business to report.

ARC110: **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

There were no Members present under Standing Order 34.

ARC111: **CHAIRMAN'S CORRESPONDENCE**

The Chairman had no correspondence to report.

ARC112: **MATTERS REFERRED TO THE COMMITTEE FROM OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS RECOMMENDATIONS/REQUESTS**

There were none.

ARC113: **EXTERNAL AUDIT PLAN 2011/2012**

Alison Ridley, Senior Manager from PricewaterhouseCoopers (PWC) presented the External Audit Plan for 2011/2012, which included an analysis of the External Auditor's assessment of significant audit risks, proposed audit strategy, audit and reporting timetable and other matters. Members were informed that discussion of the strategy with the Audit and Risk Committee enabled the External Auditor's engagement team members to understand the Council's concerns and agree on mutual needs and expectations to provide the highest level of service quality.

Members considered the External Audit Plan 2011/2012 section by section and were invited to comment/ask questions, a summary of which is set out below.

Following questions from Councillor Wareham on the trivial threshold as being misstatements of £100,000 or less, the External Auditor explained that professional judgement was used to assess what was material, which included consideration of the amount and nature of transactions. Generally 2% of gross expenditure was the External Auditor's rule of thumb in determining an overall level of materiality for Councils.

Councillor Smeaton commented that £100,000 was a significant amount of money and asked what mechanisms were in place to warn and inform Members. The Deputy Chief Executive explained that amounts related to thresholds. In the past 19 years, the Council had not breached the threshold. He added that with the Council's turnover of between £200 and £300m, the view would be taken that the accounts would not be amended to correct a misstatement of £100,000.

Councillor Wareham 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. In response, the External Auditor advised that appropriate wording could be recorded in the minutes as to whether the Committee agreed or disagreed. The Deputy Chief Executive explained that the information had appeared in the Audit Plan for the past years and added that if the Audit Committee proposed the threshold to be £50,000, appropriate action could be recorded in the context of the accounts.

Councillor Wareham further commented that his concern was not relating to the level of the threshold but that an explanation was required.

Councillor D J Collis stated that this was an important aspect that should clearly be understood by the Audit Committee and agreed that further information should be included.

The Chairman therefore asked the Committee if there was a proposal to provide an explanation in the materiality section of the report to which Members agreed. The Deputy Chief Executive therefore undertook to liaise with the External Auditor to agree and insert an appropriate form of wording to ensure there was an explanation to make the situation clear to the public.

Councillor Morrison added that he would like to receive advice/guidance on how the External Auditor's opinion was formed relating to fraud.

The Deputy Chief Executive explained that the Council was reliant upon both Internal and External Audit, the Benefits Enquiry Unit, Members and officers to report potential fraud. The Council had an Anti Fraud Policy in place and suggested that this item be placed on the Work Programme, which was agreed by the Committee.

Members noted that for the first time in the 2011/12 Statement of Accounts, the Code required authorities to present information about the heritage assets it held.

Councillor de Winton enquired if after the introduction of the new regulations last year, had things now settled down. The Deputy Chief Executive advised that following the introduction of the new IFRS requirements, indeed, work had now settled and outlined the necessary work to be undertaken relating to the heritage assets. He explained that the Chief Accountant was in the process of talking to specialists to obtain the required valuations.

Councillor J Collop asked for clarification on the heritage assets and commented that it would be difficult to place a value on those assets. The Deputy Chief Executive outlined what was included in the list of heritage assets and explained that a list of assets had previously been valued by Christie's in the 1980's.

Councillor White stated that the King John Cup was priceless and that it would be difficult to place a value on it. The Deputy Chief Executive advised that although this was the case it was like to make use of the insurance valuation.

Following further comments from Councillor J Collop, the External Auditor explained that the long term aim both from Government and CIPFA was to ensure that all assets owned by Councils appeared on the Balance Sheet.

Councillor de Winton commented on the fees charged by the External Auditors and stated that because of the 25% reduction in Government Grant, the Auditor's fees should also be reduced by 25%. In response, the External Auditor explained that PricewaterhouseCoopers (PWC) had not ignored the reduction in Government Grant and that the fee for the Audit Plan 2011/12 was below the guide of the previous year by £14,000.

The Deputy Chief Executive explained that the original budgeted fee was £126,410 and following discussions with PWC, the budget had been revised to reflect the new requirements of IFRS and the new accountancy arrangements. However, because of the complexities and the capital work required the actual fee was £174,300.

In response to questions from Councillor Wareham, the External Auditor explained that because of the stringent approach by the Department of Works and Pensions, when an error was found it was necessary to enlarge the sample by 40, some of which were complex benefit cases. The External Auditor advised that this was less than the previous year and so was an improvement for the Council.

The Deputy Chief Executive added that from a claim of £49m, small errors of under £1 had been detected, therefore under DWP regulations it was necessary to re-sample which increased the External Auditor's fees by £8,000. PWC had written to the DWP on behalf of the Council.

Councillor Mrs Smeaton enquired if there was an appeals process. The Deputy Chief Executive advised that there was no appeals process. The External Auditor explained that all Councils were experiencing similar problems which proved frustrating for PWC.

Councillor Wareham asked if MP's had been contacted to ascertain if they could assist the Council in any way. The Deputy Chief Executive informed the Committee that the Council had not contact MP's.

On behalf of the Committee, the Chairman thanked the External Auditor for attending and presenting the External Audit Plan.

RESOLVED: That the Committee note the External Audit Plan 2011/2012.

ARC114: **CERTIFICATION REPORT 2010/2011**

Alison Ridley, Senior Manager from PricewaterhouseCoopers presented the Annual Certification Report which summarised the results of the External Auditor's certification work undertaken at the Council on 2010/2011 claims and returns that was accessible for Members and other interested stakeholders. Fees for the 2010/2011 certification work was summarised at Appendix A.

The following points were highlighted:

- The claims and returns certified in 2010/11.
- Issues arising – a number of issues were identified during the certification of the Housing and Council Tax Benefits Subsidy Claim. The issues had been reported to the DWP and they would therefore decide the impact on the issues on the subsidy granted to the Council.
- The errors were identified from a sample of 60 relevant claims. Similar issues were identified during the 2009/10 certification.

Councillor Loveless referred to the errors detailed at page 9 of the report and commented that he found it alarming that there were 34 errors from the sample of 60 claims and asked for an explanation. In response, the External Auditor explained that benefit claims were often complex and were of different levels. Each claim was assessed using a set of criteria (e.g. 15) upon which any errors were flagged up. Every error had to be reported.

The Deputy Chief Executive advised Councillor Loveless that explanations relating to the errors were set out on pages 13 and 14 of the report. Members were advised that some errors were unavoidable.

Councillor Morrison referred to recent reports from the External Auditors including the two being considered tonight and the waste of paper when producing such reports. He commented that it was minuted previously and added that he understood that the reports were emailed to the Council in a pdf document which could not be changed. Councillor Morrison therefore asked if in future documents be forwarded to the Council in a format so that officers could condense the amount of space between sections of reports and thus reduce the amount of paper used.

Councillor Mrs Collingham concurred with the comments made by Councillor Morrison.

On behalf of the Committee, the Chairman thanked the External Auditor for presenting the report.

RESOLVED: That the Committee note the Certification Report 2010/2011.

ARC115: **AUDIT AND RISK COMMITTEE WORK PROGRAMME**

The Committee considered its Work Programme.

Anti-Fraud Policy be added to the Committee's Work programme.

RESOLVED: That the Committee's Work Programme be noted and amended to include the Anti-Fraud Policy.

ARC116: **DATE OF NEXT MEETING**

The Committee noted that the next meeting would be held on Tuesday 27 March 2012 at Lynnsport **immediately following the Resources and Performance Panel commencing at 5.30 pm.**

The meeting closed at 6.53 pm