

BOROUGH COUNCIL OF KING'S LYNN & WEST NORFOLK

AUDIT AND RISK COMMITTEE

**Minutes of a Meeting of the Audit and Risk Committee held on
Tuesday 24 March 2015, 6.00 pm,
in the Committee Suite, King's Court, Chapel Street, King's Lynn**

PRESENT:

Councillor H Humphrey (Chairman)
M Chenery (*substitute for Councillor de Winton*), J Collop,
C J Crofts (*substitute for Councillor C Manning*), I Gourlay, Mrs K Mellish, D Tyler,
A Wright and Mrs S Young

Portfolio Holder:

Councillor N Daubney, Leader and Portfolio Holder for Resources
Councillor A Beales, Portfolio Holder for Regeneration and Industrial Assets

Apologies for absence were received from Councillors P Beal, T de Winton,
M Langwade, C Manning, A Tyler and G Wareham

Present under Standing Order 34: Councillors Miss L Bambridge and
Mrs J Leamon

ARC74: **APPOINTMENT OF VICE-CHAIRMAN**

RESOLVED: That Councillor C J Crofts be appointed Vice-Chairman for
the meeting.

ARC75: **MINUTES**

The Minutes of the Audit and Risk Committee meeting held on 25
November 2014 were confirmed as a correct record and signed by the
Chairman.

ARC76: **DECLARATIONS OF INTEREST**

There were none.

ARC77: **URGENT BUSINESS UNDER STANDING ORDER 7**

There was no urgent business to report.

ARC78: **MEMBERS PRESENT PURSUANT TO STANDING ORDER 34**

Councillors Miss L Bambridge and Mrs J Leamon.

ARC79: **CHAIRMAN'S CORRESPONDENCE**

The Chairman had no correspondence to report.

ARC80: **MATTERS REFERRED TO THE COMMITTEE FOR OTHER COUNCIL BODIES AND RESPONSES MADE TO PREVIOUS COMMITTEE RECOMMENDATIONS/REQUESTS**

There were none.

ARC81: **CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT – 2013/2014**

Mr R Murray and Mr P King from Ernst and Young, the Council's External Auditors were present for this item.

Mr R Murray presented the Certification of Claims and Returns Annual Report 2013/2014 which summarised the results of the External Auditor's certification work and highlighted the significant issues.

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

- Scope of Work.
- Statement of Responsibilities.
- Summary of 2013/2014 Certification Work.
- 2013/2014 Certification Fees.
- Looking Forward.

Mr R Murray referred Members to page 8 of the report and outlined the improvements that had been made following the recommendations made from 2012/2013.

The Committee was advised that following receipt of the External Auditor's qualification letter, and correspondence from the Council, the Department of Works and Pensions (DWP) permitted the Council to extend the testing of income assessments, as the Council believed the results from the External Auditor's random sample to contain an unusually high error rate. Mr Murray explained that the error rate, when extrapolated, resulted in the permitted Local Authority error overpayment rate to be exceeded, potentially resulting in a loss of £132,420 subsidy. However, he informed Members that the work had been completed and the External Auditor's findings reported to DWP.

The Committee was invited to comment/ask questions of the Annual Report 2013/2014, a summary of which is set out below.

In response to questions from Councillor Collop regarding the potential loss of subsidy amounting to £132,420, Mr Murray explained that Ernst and Young were uncomfortable with the error rate of the sample of 40 when extrapolated. He added that the samples contained an unusually high error rate and therefore a further sample testing exercise was undertaken. However, he advised that out of a further 100 cases reviewed by the Authority, 10 cases fails were identified due to the Council using incorrect income figures. Only 3 of those failures resulted in the overpayment of benefit. Mr Murray advised that the DWP should now be in a position to determine the final subsidy to be paid to the Council and explained that provided the findings were accepted by the DWP it appeared that the permitted Local Authority error overpayment rate was no longer exceeded.

In response to questions from the Chairman, Councillor Humphrey regarding the unusually high error rate, Mr Murray commented that it would be better if the Council had a zero error rate, but the results of the audit undertaken, including the error rate, at the Borough Council was similar to findings in other Councils. The Borough Council had made progress on the recommendations from the previous year's report and it was anticipated that this trend would continue in order to reduce the error rate.

Following further questions from the Chairman, Councillor Humphrey regarding the arrangements for setting the scale of fees following the demise of the Audit Commission, Mr Murray explained that the role undertaken by the Audit Commission would be passed to a number of different bodies. With regard to setting the fees, this duty would be passed to PSSA Limited who was a subsidiary of the Local Government Association. The Committee was advised that the Audit Commission had recently issued the Fee Schedule for 2015/2016 which had been adopted by the PSSA and had shown a reduction of 25%.

RESOLVED: The Committee noted the Annual Report.

ARC82: **2014/2015 AUDIT PLAN**

Mr R Murray and Mr P King from Ernst and Young, the Council's External Auditors were present for this item.

Mr Murray presented the 2014/2015 Audit Plan which set out how the External Auditor's intended to carry out their responsibilities as Auditor. It was explained that the purpose of the report was to provide the Audit and Risk Committee with a basis to review the proposed audit approach and scope for the 2015 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 the audit was aligned with the Committee's service expectations.

The Committee was advised that the report summarised the External Auditor's assessment of the key risks which drove the development of an effective audit for the Borough Council, and outlined the planning audit strategy in response to those risks.

Members' attention was drawn to the following sections of the report:

- Overview – Context for the Audit.
- The Local Audit and Accountability Act 2014.
- Financial Statement Risks (page 18)
- Economy, Efficiency and Effectiveness.
- Audit Process and Strategy.
- Independence.
- Appendix A – Fees.
- Appendix B – UK required communications with those charged with governance.

The Committee was invited to comment/ask questions, a summary of which are set out below.

Councillor Gourlay referred to page 23 and asked for a definition of group accounts. Mr Murray explained that other accounts for any subsidiary companies or joint venture projects could be included within the Council's accounts to show the totality of the Council's operation.

In response to questions from Councillor Collop on whether the Leisure Trust's accounts would be included within the Council's accounts, the Chief Financial Officer explained that the Leisure Trust accounts would not be included, but that Alive Management Company accounts would be shown as part of the Council's accounts. She explained that there were two options available to the Council to prepare group accounts. Alive Management Company would be kept separately, but would be shown in the totality of the Council's operation.

In response to questions from Councillor C J Crofts regarding the demise of the Audit Commission, Mr Murray explained that the Audit Commission would cease to operate on 31 March 2015. However, the contract between the Borough Council and Ernst and Young was in place until 2017 and that no decision had yet been made as to whether it was possible to extend the contract. Members were advised that when the contract expired a procurement exercise would be required to appoint the Borough Council's External Auditors.

The Chairman, Councillor Humphrey thanked Ernst and Young for attending and presenting the 2014/2015 Audit Plan.

RESOLVED: The Committee noted the 2014/2015 Audit Plan.

ARC83: **DATE OF NEXT MEETING**

Committee Members noted that the next meeting of the Audit and Risk Committee would take place on **Tuesday 8 June 2015** at 6 pm in the Committee Suite, King's Court.

The meeting closed at 6.20 pm