

## **Audit Committee – 8 June 2011**

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Minutes of the meeting of the **Audit Committee** held on **8 June 2011** when there were present:-

Chairman: Cllr Mrs J A Mockford

Cllr C I Black  
Cllr Mrs A V Hale  
Cllr T E Mountain

Cllr R D Pointer  
Cllr I H Ward  
Cllr Mrs B J Wilkins

### **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllrs J P Cottis, Mrs C M Mason and J Thomass.

### **SUBSTITUTES**

Cllr J R F Mason

### **OFFICERS PRESENT**

Y Woodward	- Head of Finance
T Metcalf	- Audit and Performance Manager
S Worthington	- Committee Administrator

### **ALSO PRESENT**

L Clampin	- PKF
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### **139 MINUTES**

The Minutes of the meeting held on 12 April 2011 were approved as a correct record and signed by the Chairman.

### **140 EXTERNAL AUDIT FEES 2011/12**

The Committee considered the report of the Head of Finance presenting the latest information from the external auditors, PKF, on the proposed fees for 2011/12.

Officers and PKF advised, in response to a Member question relating to the scope for reducing audit fees associated with the Council's capital accounting arrangements, that £5,000 could potentially be saved in the event of no risk being identified that would require additional auditing. The external auditors will complete an updated risk assessment towards the end of the current calendar year, which will indicate whether there is likely to be any fluctuation in audit fees.

### Resolved

That the external auditors' Annual Audit Fee Letter 2011/12 be noted. (HF)

### 141 FUTURE OF LOCAL PUBLIC AUDIT

The Committee considered, page by page, the report of the Head of Finance presenting a proposed response to the Communities and Local Government's consultation on the new audit framework.

During debate of the proposed response to question 1 of the consultation relating to design principles, officers advised that the proposals were unlikely to result in savings for small Authorities as the external audit work required did not differ greatly from that required for larger Authorities. However, if Authorities engaged in joint procurement there could be savings for the Council.

In response to a Member enquiry relating to the potential costs of the proposals, officers advised that these were difficult to quantify as there were a number of hidden costs, eg, costs around the process of recruiting independent Audit Committee members and increased workloads for Audit Committee Members and officers.

Concern was expressed, with respect to questions relating to the registration of auditors, that Local Authority finance was so different to that of the private sector that any joint procurement exercise could therefore preclude smaller audit firms, who would lack the necessary public sector finance experience.

Members made particular reference to the section of the consultation dealing with duty to appoint an auditor, in the light of concerns they had relating to proposals around the appointment of independent members for Audit Committees. It was considered inappropriate to have an Audit Committee composed of a majority of independent members as it would be difficult to maintain a membership of the Committee that complied with pro rata rules, without making the Committee overly large. Members also considered it inappropriate for non-elected Members to have access to exempt Audit Committee documents. Members were also concerned that there was no guidance around what constituted 'recent and relevant financial experience', as recommended for Audit Committee members.

With respect to question 19 of the consultation, Members concurred that it was unnecessary for members of the public to make representations about the appointment of external auditors.

Members considered that there would be merit in adding a comment to the Council's response to question 28 that it was unclear what this actually meant.

Members did not consider it appropriate, in looking at question 38, to make any changes to the rights to object to the accounts.

Officers confirmed, in response to a Member enquiry relating to the consultation process for Parish Councils, that an email would be sent to the Parish Clerks ensuring that they had received a copy of the consultation document.

### **Resolved**

That the Council's response to the consultation on local public audit, as set out in appendix 1 to the officer's report, be agreed, subject to the amendments detailed in the appendix to the Minutes. (HF)

### **EXCLUSION OF THE PRESS AND PUBLIC**

### **Resolved**

That the press and public be excluded from the meeting for the remaining item of business on the grounds that exempt information, as disclosed in paragraph 3 of Part 1 of the Local Government Act 1972, would be disclosed.

## **142 ANNUAL GOVERNANCE STATEMENT 2010/11**

The Committee considered the exempt report of the Head of Finance providing details of the Annual Governance Statement for 2010/11.

### **Resolved**

- (1) That it be agreed that the level of assurance provided for the 2010/11 Annual Governance Statement is sufficient to determine the weaknesses identified.
- (2) That the 2010/11 Annual Governance Statement be agreed for signing by the Leader of the Council and the Chief Executive. (HF)

## **143 AUDIT REPORT**

The Committee considered the exempt report of the Head of Finance drawing Members' attention to completed audit investigations and providing an update of audit recommendations.

The following revised end dates for report recommendations detailed in appendix 4 to the officer's report were noted:-

- Report No. 1 09/10 – 13: 31 July 2011
- Report No. 18 10/11 – 9: 23 December 2011
- Report No. 18 10/11 – 10: 23 December 2011
- Report No. 20 10/11 – 3: 30 June 2011

### Resolved

- (1) That the conclusions and results from the audits in appendices 2 and 3 be agreed.
- (2) That the updated information on the audit recommendations, outlined in appendix 4, be agreed. (HF)

The meeting closed at 8.46 pm.

Chairman .....

Date .....

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#### Future of Local Public Audit – Amendments to Response

Question	Response
<b>1.</b> Have we identified the correct design principles? If not, what other principles should be considered? Do the proposals in this document meet these design principles?	No. The proposals in this document are unlikely to lead to lower audit fees and there will be a considerable amount of additional administration falling to Local Authorities to fill the gaps left by the removal of the AC that are likely to create additional costs.
<b>13.</b> How do we balance the requirements for independence with the need for skills and experience of independent members? Is it necessary for independent members to have financial expertise?	<p>An interest in the governance and finances of the Authority is of more value than specific financial expertise.</p> <p>There should be a minority of independent members on the Audit Committee, which would add a different perspective. They should not, however, have access to exempt documents or have direct access to Council officers.</p>
<b>19.</b> Is this a proportionate approach to public involvement in the selection and work of auditors?	No, public involvement is unnecessary. Unlike previous proposals in the consultation, this one is not accompanied by details of what happens in the private sector. Potential conflicts of interest with the audit firm would be addressed as part of the tender selection process or as part of the terms of the contract. It's difficult to judge the scale of public interest.
<b>28.</b> Do you think the new framework should put in place similar provision as that in place in the companies sector, to prevent auditors from seeking to limit their liability in an unreasonable way?	<p>Do not understand this question.</p> <p>This is an area where Councils may have to purchase specialist legal advice as it has previously been managed by the AC.</p>
<b>38.</b> Do you agree that we should modernise the right to object to the accounts? If not, why?	No.