

**AUDIT COMMITTEE
30th October, 2013**

Present:- Councillor Kaye (in the Chair); Councillors Gilding and Wyatt.

Also in attendance was Mr. S. Clark (KPMG)

Apologies for absence were received from Councillor Sangster and Sims.

P14. MINUTES OF THE PREVIOUS MEETING HELD ON 25TH SEPTEMBER, 2013

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 25th September, 2013.

Resolved:- That the minutes of the previous meeting be approved as a correct record for signature by the Chairman.

P15. MID YEAR TREASURY MANAGEMENT AND PRUDENTIAL INDICATORS MONITORING REPORT 2013/14

Consideration was given to a report, presented by the Chief Accountant, stating that the Regulatory Framework of Treasury Management included a requirement that the Council should receive a mid-year treasury review, in addition to the forward looking Annual Treasury Strategy and backward looking annual treasury report.

The submitted report fulfilled that requirement and incorporated the needs of the Prudential Code to ensure adequate monitoring of the capital expenditure plans and the Council's prudential indicators. The report was structured to highlight the key changes to the Council's capital activity (the prudential indicators), the economic outlook and the actual and proposed treasury management activity (borrowing and investment).

It was noted that the Council's 3 year contract with Sector Treasury Services for the provision of treasury management and asset finance services had expired on 6th October, 2013. In accordance with Standing Orders, a tendering exercise had been carried out for the pre-procurement of the services for a further 3 year period. 2 submissions had been received and evaluated and Sector Treasury Services (now trading as Capita Asset Services Treasury Solutions) had been appointed.

Resolved:- (1) That the report be received and its contents noted.

(2) That the report be referred to Cabinet to consider recommending that the Council approves changes to the 2013/2014 prudential indicators.

P16. EXTERNAL AUDITOR - ANNUAL AUDIT LETTER 2012-2013

Further to Minute No. 51 of the meeting of the Audit Committee held on 24th April, 2013, consideration was given to a report presented by the Finance Manager and Stephen Clark, KPMG.

The Annual Audit Letter (AAL) 2012/13 summarised the external audit work in relation to the 2012/13 audit plan and highlights the findings in relation to the following:

Audit of accounts 2012/13

Value For money Conclusion 2012/13

Any Other Matters the external auditor is required to communicate.

A copy of their AAL was attached to the report.

The Committee noted that the purpose of the Annual Audit Letter was to communicate to the Council and key external stakeholders, including members of the public, in a clear and concise manner, the key issues arising from the audit which the external auditor considered should be brought to the attention of the Council. The letter briefly summarised the results of the external auditor's work which had previously been reported to Audit Committee in more detail in the form of, for example:

- The ISA260 report presented to this Committee in September, 2013, immediately prior to the 2012/13 Statement of Accounts being approved
- The Interim Audit Report presented to Audit Committee in April, 2013

The main issues from the Annual Audit Letter included:-

(a) the Council's financial statements were produced to a good standard without the need for audit adjustment and were given an unqualified audit opinion before the statutory deadline of 30th September, 2013; KPMG LLP complimented officers on the strong financial reporting process and in providing working papers to the expected standard and timely responses to audit queries; and

(b) the Council had put in place proper arrangements for securing financial resilience and challenging how it secured economy, efficiency and effectiveness in the use of its finite resources.

An issue had been highlighted with regard to the Value for Money conclusion was with regard to Digital Regional and suggested that a lessons learned review be conducted. Barnsley Council was to undertake a review which all the Councils had agreed to sign up to.

The Annual Audit Letter also confirmed that no high priority recommendations were made in relation to the 2012/13 audit and that there were no other matters that needed to be brought to the attention of the Audit Committee.

This was a very positive audit assessment for the 2012/13 financial year and showed the Council's Financial Services function to be in a strong position to proactively support the Council in meeting the significant challenges it faced.

Resolved:- That the very positive Annual Audit Letter (AAL) presented to the Council by its external auditors, KPMG LLP be noted.

P17. REVISED FINANCIAL REGULATIONS

Consideration was given to a report presented by the Director of Internal Audit and Asset Management concerning the review of the Council's Financial Regulations. The Committee noted that these Regulations are periodically reviewed to ensure that they are fit for purpose and meet current best practice.

The proposed revisions to the Financial Regulations (appended to the submitted report) were being recommended to reflect recent changes in the Council's structures, revised legislation and regulatory frameworks and to provide further guidance in various areas where common issues have arisen during the last couple of years.

The Committee was informed that the Council's Cabinet and Scrutiny Members will also be consulted on the proposed revisions and the revised Financial Regulations will be adopted as part of the Council's constitution.

In summary, the main changes proposed to the Financial Regulations are:-

(a) The introduction has been augmented to explain the layout of the Financial Regulations, which is based on a format endorsed by CIPFA in its recent publication; 'Financial Regulations – A Good Practice Guide for an English Modern Council';

(b) A general update to take account of changes to the structure of the Council including, in particular:-

- : the vacancy of the post of Strategic Director of Resources;
- : the vacancy of the Director of Commissioning, Policy and Performance post;
- : the movement of the procurement function to become the responsibility of the Strategic Director of Neighbourhoods and Adult Services;

- (c) The removal of all references to RBT;
- (d) The removal of residual references to 2010 Rotherham Ltd.;
- (e) Changes in the statutory requirements for monitoring and reporting on performance, such as the production of a Corporate Performance Plan and Best Value Performance Indicators; Financial Regulations now include the CIPFA recommended 'Policy Framework' wording;
- (f) Recognition of changes relating to the appointment of external auditors and the scope of external audit, being introduced by the Local Audit and Accountability Bill 2013-2014;
- (g) The inclusion of new guidance notes on Money Laundering, Contracts for Building, Construction and Engineering Works, and Ex-gratia payments;
- (h) Removal of the former Guidance Note relating to the Sundry Accounts Collection Policy; a new Sundry Accounts Policy has recently been produced which replaces the Guidance Note;
- (i) General updates where new or amended legislation or regulations have been introduced, including:-
- : new accounting and disclosure requirements for entities preparing financial statements under International Financial Reporting Standards;
 - : the CIPFA Service Reporting Code of Practice (SeRCOP) replaced the previous Best Value Accounting Code of Practice; SeRCOP applies to all local authority services throughout the UK from 1st April 2013 for the preparation of 2013/14 Budgets, Performance Indicators and Statements of Accounts;
 - : the requirement, under the Accounts and Audit Regulations 2011, to produce an Annual Governance Statement which gives an outline of the Council's governance controls and the procedures that are in place; this Statement has replaced the Statement of Internal Control;
- (j) Changes in the requirements of Internal Audit have occurred:-
- : the Accounts and Audit Regulations 2011 now require 'local authorities to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.
 - : the introduction of new Internal Auditing standards known as the Public Sector Internal Audit Standards.
- It was proposed that further revisions be made in order to streamline the document and delete any duplications.

Resolved:- (1) That the revisions to the Financial Regulations be supported.

(2) That a further review of the structure of the Regulations be undertaken.