

**AUDIT COMMITTEE
14th March, 2012**

Present:- Councillor Sangster (in the Chair); Councillors Gilding, Kaye, License and Sims.

Also in attendance were Mrs. A. Bingham (Chair of the Standards Committee), Steve Clark and Amy Warner (KPMG).

P42. MINUTES

Resolved:- (1) That the minutes of the previous meeting held on 15th February, 2012 be agreed as a correct record.

(2) That it be noted that Councillor Gilding had not been provided with information on RBT as it was confidential.

P43. CLOSURE OF THE 2011/12 ACCOUNTS

Consideration was given to a report introduced by Simon Tompkins, Finance Manager, which stated that the Council's annual Financial Statements were the primary means by which local authorities were accountable to local and national stakeholders. It was therefore important that the Council's accounts were prepared in accordance with recognised accounting standards and can be relied upon by users of the accounts.

As highlighted in KPMG's 2011/12 external audit plan, the Council had a record of efficient and well-controlled closedown and accounts preparation.

The Resources Directorate was keen to maintain the high standard of financial reporting but there remained significant challenges to repeating this in 2011/12.

The report highlighted the main changes to accounting standards and disclosure requirements in 2011/12; their effect on the Council's accounting policies; and, the project management arrangements that would be employed to secure timely closure and produce 2011/12 Financial Statements that are fully compliant with the Accounting Code.

It also stated that the Audit Committee needed to formally approve the audited Financial Statements at its September meeting and asked Members whether they wished to receive the unaudited Financial Statements and Annual Governance Statement for information.

Risks and uncertainties were highlighted in the report.

Resolved:- (1) That the changes to the Council's accounting policies as a result of the changes to the accounting framework be noted.

(2) That the project management arrangements put in place to achieve timely closedown and to produce 2011/12 Financial Statements that were compliant with the Accounting Code be noted.

(3) That the Audit Committee formally approve the audited 2011/12 Financial Statements at its September meeting and that it receives for information the unaudited Financial Statements and Annual Governance Statement at its July meeting.

(4) That the accounts be subject to the normal scrutiny arrangements.

P44. EXTERNAL AUDIT PLAN 2011/12

Consideration was given to a report introduced by Stuart Booth, Director of Financial Services, which stated that the Council's external auditor, KPMG LLP, had set out in its External Audit Plan for 2011/12 (Appendix 1) the proposed external audit work relating to council services and functions to be undertaken.

The KPMG External Audit Plan sets out the proposed audit work to be undertaken in relation to the 2011/12 financial year. The Plan has been drawn up using a risk-based approach to audit planning and reflects the work that would be required to enable KPMG to review and report on the Council's:

- **Financial Statements (including the Annual Governance Statement):** providing an opinion on our 2011/12 Accounts; and
- **Use of Resources:** concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the Value for Money Conclusion).

Section 2 (Page 3 of KPMG's Plan) sets out the specific risks that KPMG will focus on during the audit which would contribute to formulation of their opinion on our Accounts and VFM Conclusion. The 4 areas to be reviewed were:

- The Council's ability to deliver its financial saving proposals and sustain its sound financial performance and position;
- How the Council has responded to the ongoing Accounting Code changes when preparing and reporting its Financial Statements;
- The operational and financial implications of bringing to an early completion the successful RBT strategic partnering agreement; and
- The future arrangements for Digital Region Limited.

Further details on these proposed review areas were set out in Section 4 (Pages 9-10 of KPMG's Plan) and Section 5 (Page 15) respectively.

Section 3 (Page 4 of KPMG's Plan) summarised the key stages and timetable for completing the work on the Council's financial statements (including Whole of Government Accounts) and concluded their reporting arrangements.

Section 5 (Pages 11-14 of KPMG's Plan) summarised their proposed approach to concluding whether the Council's arrangements for the use of its finite resources were securing VFM.

Section 6 (Pages 16-19 of KPMG's Plan) set out the key audit contacts for the local team, the audit deliverables and their timelines to be reported to Audit Committee and the proposed audit fee for the work set out in the Plan.

The Audit Plan and proposed fee was based on a number of assumptions set out on Page 19 of the Plan. Changes to the Plan and the fee may be necessary if new significant audit risks emerged.

Continuing to meet the audit plan expectations and attaining a very positive Annual Audit Report for 2011/12 was essential if the Council was to sustain its excellent reputation for good Financial Management, Governance and Reporting that KPMG had highlighted over previous years. This was particularly significant and important in the current difficult economic and financial conditions facing local councils.

Steve Clark and Amy Warner provided information on the areas covered.

Resolved:- That KPMG's External Audit Plan 2011/12, be noted and the proposed areas for audit identified.

P45. REVIEW OF PROGRESS AGAINST THE INTERNAL AUDIT PLAN FOR TEN MONTHS ENDING 31ST JANUARY, 2012

Consideration was give to a report introduced by Colin Earl, Director of Audit and Asset Management, which set out a summary of Internal Audit's work and performance for the ten months ending 31st January 2012. The service had achieved good performance in the period, exceeding most of its stretch targets.

The audit work completed to date had confirmed that the Council had a robust overall control environment.

Failure to deliver an effective internal audit function would weaken the Council's internal control arrangements and increase the risk of erroneous and / or irregular activities.

Resolved:- (1) That the good performance of the Internal Audit Service during the period be noted.

(2) That the key issues arising from the work done in the period be noted.