

**AUDIT COMMITTEE  
13th February, 2013**

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

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

Apologies for absence were received from Councillors License.

**P37. MINUTES OF THE PREVIOUS MEETING HELD ON 19TH DECEMBER, 2012**

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 19th December, 2012.

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

**P38. REVIEW OF PROGRESS AGAINST THE INTERNAL AUDIT PLAN FOR NINE MONTHS ENDING 31ST DECEMBER 2012**

Consideration was given to a report presented by the Director of Internal Audit and Asset Management and the Chief Auditor containing a summary of Internal Audit work and performance for the nine months ending 31<sup>st</sup> December 2012. It was noted that the Service continues to perform at a high level across all Indicators. Based upon the work undertaken in the period, it is confirmed that the Council's control environment is adequate and is operating satisfactorily.

Reference was made to the Performance Indicators and especially performance in respect of the Indicator "percentage of audit plan completed".

Members noted that the Council continues to have a sound control and governance framework, including the prevention of fraud, which has been highlighted by the range of audit tests undertaken. The testing had revealed, however, that the controls should be improved in respect of the Community Care Direct Payments system.

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

(2) That the performance of the Internal Audit Service during this reporting period be noted.

(3) That the key issues arising from the audit work undertaken in this nine months' period be noted.

(4) That the annual internal audit report, to be submitted to a future meeting of the Audit Committee, shall include details of those aspects of the audit plan which have not been completed during 2012/13.

**P39. CORPORATE RISK REGISTER**

Consideration was given to a report presented by the Director of Audit and Asset Management containing the Council's current corporate risk register summary. Members heard that the summary shows the risks associated with the Council's most significant priorities and projects and actions being taken to mitigate these risks.

The Council's key current risks continue to relate to the financial pressures faced by the Council and the implications of the Welfare Reforms. The submitted report summarised the management actions being taken to mitigate these risks and the other risks in the register.

It was reported that risks relating to funding the Capital Programme, personalisation of Adults Care Services, Commissioning and Highways have been removed from the corporate risk register. This does not mean these risks will no longer be monitored. Instead they will be reviewed at directorate level and will be re-instated at corporate level at any point in time in the future, whenever appropriate.

New risks relating to economic growth and Public Health and Well-being have been added to the register and an entry has been included recognising opportunities to promote the Council's achievements and enhance its reputation.

Discussion took place on the Council's highest inherent risks:-

- : managing the budget reductions imposed by the coalition Government;
- : Welfare Reforms;
- : the need to deliver effective Children's Services within budget;
- : digital region.

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

(2) That the corporate risk register summary, as now included with the submitted report, be noted.

(3) That the current assessment of the Council's principal corporate risks be confirmed.

**P40. PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2013/14 TO 2015/16**

Consideration was given to a report presented by the Chief Accountant stating that in accordance with the Prudential Code for Capital Finance, the Secretary of State's Guidance on Local Government Investments, the CIPFA Code of Practice for Treasury Management in Local Authorities and with Council policy, the Director of Financial Services is required,

prior to the commencement of each financial year, to seek the approval of the Council to the following:-

- i) the Prudential Indicators and Limits for 2013/14 to 2015/16;
- ii) a Minimum Revenue Provision (MRP) Statement which sets out the Council's policy on MRP;
- iii) an Annual Treasury Management Strategy in accordance with the CIPFA Code of Practice on Treasury Management including the Authorised Limit;
- iv) an Investment Strategy in accordance with the Department for Communities and Local Government investment guidance.

The submitted report updates the currently approved indicators for the period 2012/13 to 2014/15 and introduces new indicators for 2015/16.

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

(2) That the following matters be approved insofar as the Audit Committee is concerned and it be noted that they are also to be considered by the Cabinet and by the Council:-

(a) the prudential indicators and limits for 2013/14 to 2015/16, as contained in the report now submitted;

(b) the Minimum Revenue Provision Statement contained in the report now submitted, which sets out the Council's policy on MRP;

(c) the Treasury Management Strategy for 2013/14 to 2015/16 and the Authorised Limit Prudential Indicator, as now reported;

(d) the Investment Strategy for 2013/14 to 2015/16, as detailed in the report now submitted.

#### **P41. KPMG GRANTS REPORT 2011/12**

Consideration was given to a report presented by the Director of Financial Services concerning matters arising from the external audit of the Council's 2011/12 Government grants and returns. The report summarised KPMG's key findings from the certification work they have carried out in 2011/12. The main findings are:-

- (i) KPMG were required to audit six claims and returns in 2011/12 with an aggregate value of £195 million. None of the claims were qualified. One minor adjustment was made to one claim, a £16,000 adjustment in respect of the £104 million housing benefit claim. KPMG commented that such a small scale adjustment on such a large and complex claim is not significant and compares favourably with the number of errors and issues identified at other authorities.

(ii) The Council has good arrangements in place to ensure the efficient and effective preparation and submission of claims and returns and which support the audit process. In particular, working papers are of a good standard and officers responded promptly to audit queries.

Stephen Clark (Director, KPMG) confirmed that these positive findings demonstrate that the Council continues to maintain the high standard achieved in recent years.

Resolved:- (1) That the contents of the submitted report and of the KPMG external auditor's report be noted.

(2) That the good performance of the Council in preparing and submitting its 2011/12 grant claims and returns and reduced fees for carrying out grant certification work be noted.

#### **P42. KPMG EXTERNAL AUDIT PLAN 2012/13**

Consideration was given to a report presented by Stephen Clark (Director, KPMG) describing the KPMG External Audit Plan (included as an appendix to the submitted report) which set out the proposed external audit work to be undertaken to form an opinion on the Council's financial statements and to conclude on whether the Council has arrangements in place to secure value for money in the use of its resources.

Members made reference to several issues contained within the audit plan document:-

- : savings required to address Government reductions to local authority funding; the longer term financial and operational sustainability;
- : digital region – re-procurement and value for money;
- : Municipal Mutual Insurance – financial liability;
- : audit fees.

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

(2) That KPMG's External Audit Plan 2012/13, as now submitted, be approved insofar as the Audit Committee is concerned and the proposed areas for audit, now identified, be noted.

#### **P43. DATE AND TIME OF THE NEXT MEETING**

Resolved:- That the next meeting of the Audit Committee be held on Wednesday, 20<sup>th</sup> March, 2013, commencing at 4.00 pm at Rotherham Town Hall.