

**AUDIT COMMITTEE
24th April, 2013**

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

Also in attendance were Stuart Booth, Mark Bicknell, Colin Earl, Rashpal Khangura, Martin Kimber and Dave Richmond.

P49. DECLARATIONS OF INTEREST.

There were no Declarations of Interest made at this meeting.

P50. MINUTES OF THE PREVIOUS MEETING HELD ON 20TH MARCH, 2013

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 20th March, 2013.

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

P51. KPMG INTERIM AUDIT

Consideration was given to the report presented by Stuart Booth, Director of Financial Services, Resources Directorate, which introduced the KPMG Interim External Audit Report for 2012/13.

The scope of the Audit Report included: -

- Review of the Council's overall Control Environment, including its financial management and governance arrangements and ICT controls;
- Evaluation and testing of controls over the Council's key financial systems;
- Review of the work of the Council's Internal Audit function;
- Review of the accounts production process
- Check on progress on critical accounting matters identified as specific risks in KPMG's External Audit plan including the Council's financial resilience in the fact of further reduction to Local Authority funding
- Identification of audit issues to be considered.

The letter from KPMG, attached at Appendix A of the report submitted, summarised audit progress following completion of their interim audit. The outcome was very positive overall and demonstrated the Council's continued commitment to ensuring that it had in place a strong and robust control environment for doing and managing its business in a proper and appropriate way that met professional standards.

KPMG had also reviewed the Council's approach to implementing changes to the Code of Practice on Local Authority Accounting, addressing the specific risks identified in their 2012/13 External Audit and complying with audit expectations in terms of working papers. KPMG had commented that things had gone smoothly overall in this regard.

KPMG would finalise their work on the Council's 2012/13 Financial Statements when they undertook their final accounts audit, the results of which would be submitted to the September meeting.

There were 2 minor IT issues raised in relation to leavers access to the General Ledger.

Resolved: - That the findings of KPMG's Interim Audit Letter be noted.

P52. INTERNAL AUDIT PLAN

Consideration was given to the report presented by Mark Bicknell, Chief Auditor, which outlined the Council's Internal Audit Plan for 2013/14.

In line with the new UK Public Sector Internal Audit Standards, the Plan had been drafted following a risk-based approach, and was derived from a range of sources, including: -

- The Council's risk registers;
- Revenue and capital budgets;
- Cumulative audit knowledge and experience;
- Review of key plans, reports and press coverage;
- Priorities identified by the Council's Strategic Directors and Service Directors;
- Knowledge of existing management and control environments, including information system changes;
- Professional judgement on the risk of fraud or error.

The Plan covered five types of work: -

- Mandatory work;
- Must-do work;
- Follow-up work allowance (where areas of significant weaknesses had been identified in the previous audit);
- Emerging risks/responsive work allocation (in response to requests from managers for advice and investigation work);
- Risk related work.

An overview was provided that demonstrated the planned days that Internal Audit intended to spend on each category during 2013/14. A comparison with 2012/13 was also shared.

It was noted that there was an overall planned reduction in Internal Audit Activity which had been necessary in order to achieve savings in line with Council-wide budget reductions. However, due to a careful approach to risk-based planning, and robust performance management of resources, this could be achieved without compromising the Service's capacity to meet the Authority's statutory requirements and deliver the work required by the Council's external auditor, KPMG.

The submitted report outlined the activities that would take place during the planned days in 2013/14, along with risks and uncertainties.

Discussion ensued on the reduction in Internal Audit activity. Due to the detailed planning exercise that had been undertaken in drawing up the Plan, it was felt that issues had been picked up at that stage although it was emphasised that no planning could be made for the unexpected.

Rashpal Khangura, KPMG, reported that the level of resources in the Plan was no different to that of other organisations around the country.

Resolved: - That the Internal Audit Plan for 2013/14 be approved.

P53. AUDIT COMMITTEE ANNUAL REPORT 2012/13

Consideration was given to the report presented by Colin Earl, Director of Internal Audit and Asset Management, regarding the Audit Committee's draft annual report. The report demonstrated that the Committee had successfully fulfilled its terms of reference and helped to improve the Council's governance and overall control environment.

It was a CIPFA requirement within the IPF document 'A Toolkit for Local Authority Audit Committees', and within the Audit Committee's own Terms of Reference, that an annual report be produced.

The draft annual report for 2012/13 was attached at appendix A. Specifically, the report noted: -

- The activities and outcomes of the Audit Committee, including: -
 - Internal audit;
 - External audit;
 - Risk management,
 - Internal control and Governance;
 - Statement of Accounts; and,
 - Specific issues.
- The co-operation with partner organisation's audit committees, including Health, Police, Fire and Probation Services;
- Comparison against best practice illustrated the Audit Committee's strengths. Best practice factors included: independence, number of Members, number of meetings, co-option, terms of reference, and, skills and training. On each category, the Audit Committee was performing at or above the expected level.

The Audit Committee's annual report for 2012/13 demonstrated that it was an effective organisation that successfully fulfilled its terms of reference and helped to improve the Council's governance arrangements and overall control environment.

Resolved:- (1) That the Annual Report for 2012/13, as now submitted, be approved.

(2) That the Chair present the report to the next appropriate meetings of the Cabinet and Council.

P54. HOUSING RENTS

Consideration was given to a report presented by the Director of Housing and Neighbourhood Services concerning the probable impact of the Government's Welfare Reform on this Council's Housing Revenue Account and, in particular, upon rent arrears.

Rotherham had traditionally achieved high collection rates and, in light of the significant changes planned to Housing Benefit Regulations and the introduction of Universal Credit, had sought to be proactive in working with tenants to help them avoid getting into significant arrears.

The report addressed questions asked by the Audit Committee as follows:-

Were the level of rent arrears increasing?

It was evident that rent arrears had risen but the level of rent increases in the last 2 years had to be taken into account. The debit and associated arrears had increased proportionately to the higher rent roll.

What were the future projects taking into account the impact of the Welfare Reform?

A profiling exercise had been undertaken to look at the effects of the changes in Housing Benefit Legislation relating to under occupation and the introduction of Universal Credit would have on rent arrears in the next 5 years. It had been based on an assumption that tenants coming off Housing Benefit would find budgeting more difficult than the current level of self-payers and that the Government's Universal Credit pilots had reported increased arrears with collection rates falling to 90% and bad debt rising to 10%. It was reasonable to speculate that arrears could increase by £5.1M in 2017/18.

How was any risk of any increase in arrears being managed?

Consideration had been given as to how to advise, inform and assist claimants to ensure they were prepared for the forthcoming changes. Several exercises had been undertaken to ensure that tenants were aware of the changes and where they could get help and support. A wide range of staff had been trained and Call Centre scripts changed.

Consideration was also being given to extending the Downsizing Policy, changes to the Lettings process, additional support for families experiencing debt problems and closer working with Children and Young Peoples Services.

The Income Service was also looking to increase staffing levels to enable the Service to deal with the increases in 2013/14 including provision for Tenancy Support.

Was a Corporate Debt recovery plan followed? Did it need to be revised to reflect the Welfare Reforms?

There was a close working relationship with colleagues in Council Tax and Sundry Debtors but, as the impact of the Welfare Forum progressed, a review of the current procedures would be required. Consideration would also be required to debt recovery and the Evictions Policy.

Resolved:- That the report be noted.