

AUDIT COMMITTEE
23rd April, 2014

Present:- Councillor Kaye (in the Chair); Councillors Sangster (from Minute No. P32 onwards), Gilding, Sharman and Sims.

Also present:- Rashpal Khanguar and Trevor Rees (KPMG)

P27. MINUTES OF THE PREVIOUS MEETING HELD ON 5TH FEBRUARY, 2014

Consideration was given to the minutes of the previous meeting of the Audit Committee held on 5th February, 2014.

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

P28. AUDIT AND INSPECTION RECOMMENDATIONS UPDATE REPORT

Consideration was given to a report presented by Michelle Hill, Performance and Improvement Officer, which summarised the progress against recommendations from across all key external audits and inspections of Council services.

It was intended that the report would provide a high level analysis of progress with a particular focus on outstanding recommendations and new inspections since the date of the last report (September, 2013). A summary of these were detailed within the table in Appendix A, but in summary:-

- Since the last report there have been 3 new inspections 2 of which had been confirmed as fully compliant and 1 expected to remain fully compliant.
- There had also been a re-inspection of the Enabling Service in March, 2014, by the Care Quality Commission to review compliance against the findings and recommendations made following the June 2013 inspection. The Service had been confirmed as fully compliant.
- There were currently 3 action plans relating to Inspection and Audit recommendations which were still “active” in the Authority (i.e. contained outstanding recommendations which were still relevant).
- Across these action plans 39 recommendations have been completed and three remained outstanding.

The Audit Committee also noted that progress against recommendations was good with clear actions identified and routes to monitor in progress in place.

A small number of timescales for individual improvement actions had slipped, however, all plans were on track to be completed and were reviewed regularly by Directorates.

It was essential that in this time of uncertainty and in the absence of any national performance regime (other than Children and Adult Services), that the Authority continued to be able to demonstrate continuous improvement and self-regulation through the implementation of any previously recommended actions.

Resolved:- (1) That the progress achieved against outstanding actions be noted.

(2) That any further actions be advised as necessary.

P29. CORPORATE RISK REGISTER

Consideration was given to a report presented by Colin Earl, Director of Audit and Asset Management, which provided details of the current Corporate Risk Register summary. The summary showed 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 continued to relate to the financial pressures faced by the Council, the impact of the Welfare Reforms, delivering effective Children's Services and economic growth. The report summarised the management actions that were being taken to mitigate these and other risks in the register and listed the risks in descending inherent risk order to emphasise the most significant.

Risks associated with Digital Region had been lowered to reflect the decision by South Yorkshire Councils to close the network and the expectation that funding for closure was in place.

A new risk relating to pandemics and communicable diseases had been added to the Register at the request of Public Health in recognition of the changing face of the Authority and its responsibilities.

Two risks had been removed from the Register:-

- Making the best use of properties and expanding worksmart – the aims had been sufficiently progressed to warrant its removal from the Register but would continue to be reviewed as part of the EDS top priorities/Risk Register
- Financial impact of Mesothelioma claims to be paid through Municipal Mutual Insurance – the impact was now more clearly known and had been fully provided for

It was noted that KPMG were carrying out an analysis of Risk Registers across the region and would provide a report on the comparison exercise in due course.

Stuart Booth, Director of Finance, gave an update on the tendering process following the decision by Co-operative Bank to withdraw from banking services to local authorities. It was planned to go out to tender at the end of the month with a view to operating with a new provider before the end of 2014.

Resolved:- (1) That the contents of the Corporate Risk Register summary attached at Appendix A be noted.

(2) That the current assessment of the Council's top corporate risks be approved.

(3) That any further risks or opportunities that should be added to the risk register be identified.

P30. INTERNAL AUDIT PLAN 2014/15

Consideration was given to the report presented by Mark Bicknell, Chief Auditor, which outlined the Council's Internal Audit Plan for 2014/15.

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 5 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 2014/15. A comparison with 2013/14 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. There had also been a member of staff leave at the end of 2013 and another to shortly commence maternity leave. The position would be mitigated by carrying out a careful approach to risk-based planning and robust performance management of resources.

The submitted report outlined the activities that would take place during the planned days in 2014/15, along with risks and uncertainties.

Resolved: - That the Internal Audit Plan for 2014/15 be approved.

P31. AUDIT COMMITTEE ANNUAL REPORT 2013/14

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 2013/14 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 2013/14 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 2013/14, as now submitted, be approved.

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

P32. INTERNAL AUDIT ANNUAL REPORT 2013/14

Consideration was given to a report presented by Marc Bicknell, Chief Auditor, which provided information on the role of Internal Audit, the work undertaken by the Service during the 2013/14 financial year and the Chief Auditor's overall opinion on the Council's control environment. Based upon the work undertaken, the report's contents confirmed that the Council's control environment for 2013/14 was adequate and operated satisfactorily during the year.

The report also referred to the formal review of the effectiveness of Internal Audit, required to be completed in accordance with the Accounts and Audit Regulations 2011. Members noted that Internal Audit had maintained high standards and met its performance targets during the year.

KPMG had reviewed Internal Audit's work to determine whether it could take account of the audit of the Council's fundamental financial systems to support its audit of the Council's statutory Statement of Account. They were satisfied that they could rely on Internal Audit as a function and the work of Internal Audit where required for the audit of the financial statements.

The Director of Audit and Asset Management was also required to report on Internal Audit's compliance with the Public Sector Internal Audit Standards (PSIAS). He had concluded that Internal Audit was compliant with the standards with the exception of the following items:-

- The Standards required the Audit Committee to approve decisions relating to the appointment and removal of the Head of Internal Audit (Director of Audit and Asset Management in Rotherham). This did not currently reflect Local Government practice and, therefore, was not regarded to be a material non-compliance issue and no change proposed
- The Standards required the Chief Executive and Audit Committee Chair to be involved in the PDR or appraisal of the Head of Internal Audit. Current arrangements did not reflect this requirement and would be amended accordingly

An external assessment had not yet been undertaken as this was the first year that the Standards had been in force and was only required within a 5 year period.

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

(2) That the Internal Audit Annual Report for 2013/14, including confirmation that the Council's control environment was adequate and operated satisfactorily during the year be noted.

(3) That the effectiveness of internal audit in place for 2013/14 be confirmed.

(4) That future reports include the amounts of funding clawed back by Internal Audit.

P33. KPMG EXTERNAL AUDIT PLAN 2013/14

Consideration was given to a report presented by Stuart Booth, Director of Finance, and Rashpal Khangura and Trevor Rees, 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.

It was noted that the indicative fee for 2014/15 was the same as in 2013/14 i.e. £186,300. Fees in 2015/16 and beyond would depend upon the outcome of a retendering exercise the Audit Commission had recently completed. The retendered contracts were for the 2 years 2015/16 and 2016/17, extendable by a further 3 years to 2020. The Audit Commission estimated that this could produce further savings in the region of 25%. Details on audit appointments would be announced towards the end of the year following a period of consultation.

Trevor Rees reported KPMG had been successful in its bid for 1 of the North of England contracts. Discussions were to commence with the Audit Commission regarding the budget and which region they would cover. It was known that the Audit Commission was looking to refresh relationships where auditors had been in situ for a period of time but the Local Authority would be consulted by the Commission in June/July. There had been quite a reduction in fees as a result of the retendering exercise and they would be fixed for at least 2 years.

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

(2) That KPMG's External Audit Plan 2013/14, as now submitted, be approved insofar as the Audit Committee is concerned and the proposed areas for audit, now identified, be noted.

P34. CLOSURE OF ACCOUNTS 2013/14

Stuart Booth, Director of Financial Services, reported on the changes to accounting standards and disclosure requirements that had taken place during 2013/14 together with their effect on the Council's accounting policies and the project management arrangements that would be employed to secure the timely closure and production of the 2013/14 Financial Statements that were fully compliance with the Code of Practice on Local Authority Accounting (the Code).

Local Authority accounting operated in a dynamic environment which was subject to ongoing changes to accounting standards and legislative requirements which impacted on local government financial reporting. It was important that the Council continued to response to the changes promptly and effectively to ensure that the financial information used by management and stakeholders represented the Council's true financial position.

The key changes in 2013/14 and action taken to address them were set out in Appendix 1 of the report submitted.

Prior to 2010/11 the Accounts and Audit Regulations had required that the unaudited Financial Statements be approved by Members by 30th June and the audited Financial Statements by 30th September. The Accounts and Audit Regulations 2011 removed the requirement for members to formally approve the unaudited Financial Statements. The Audit Committee had agreed that, in order to maintain strong governance over financial reporting, it would receive the unaudited Financial Statements for information after they had been authorised and release for publication. Accordingly, the unaudited Financial Statement must be authorised for publication by the Director of Financial Services by 30th June, 2014, presented to the July Audit Committee and the audited 2013/14 Financial Statements submitted to the September meeting for formal approval.

Resolved:- (1) That the changes to the Council's accounting policies be noted.

(2) That the requirement for the Audit Committee to formally approve the audited 2013/14 Financial Statements at the September meeting be noted.

(3) That the unaudited Financial Statements be submitted to the July meeting.