AUDIT COMMITTEE
11th March, 2015

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

Apologies for absence:- Apologies were received from Councillor Rushforth.

N34. MINUTES OF THE PREVIOUS MEETING HELD ON 18TH FEBRUARY, 2015

The minutes of the previous meeting of the Audit Committee held on 18th February, 2015, were discussed.

Resolved:- That the minutes of the previous meeting be accepted as a correct record.

N35. EXTERNAL AUDITOR'S VALUE FOR MONEY CONCLUSION 2013/14

Further to Minute No. 22 of 19th November, 2014, Stuart Booth, Interim Strategic Director, Resources and Transformation, reported that KPMG had now considered the findings of the OFSTED inspection into Children's Services, the Independent Inquiry into Child Sexual Exploitation and the recently published Corporate Governance Inspection.

They had concluded that the Council had not made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March, 2014 and, therefore, issued an adverse Value For Money Conclusion.

Rashpal Khangura, KPMG, reported that, having considered the findings and conclusions of the 3 inspections together with their audit evidence, they were satisfied that it provided evidence that key elements of the Authority's corporate governance arrangements were not operating to challenge how it secured economy, efficiency and effectiveness in its use of resources.

In terms of implications going forward, KPMG would now complete the initial risk assessment for the 2014/15 Value for Money. The governance issues identified in the DCLG report would be taken into consideration and whether those arrangements had changed. KPMG would then need to be satisfied that there were effective arrangements in place to provide an unqualified conclusion.

The deadline to informally produce the Value For Money conclusion was September. Planning work would be undertaken in April with key officers and the Commissioners to understand what the processes were in terms of how the organisation had changed, develop Key Lines of Enquiry etc..

Discussion ensued with the following issues raised/highlighted:-

- The work of Internal Audit
- Interim Audit Letter
- Inspections going forward and the progress against the Improvement Plan

The Committee also considered a report setting out the statutory responsibilities of KPMG in their capacity as External Auditors and identifying what their approach was to issues raised that fell outside their responsibilities.

Resolved:- That the Value For Money conclusion reached by KPMG in respect of 2013/14 be noted.

N36. CLOSURE OF ACCOUNTS 2014-15

Simon Tompkins, Finance Manager, reported on the changes to accounting standards and disclosure requirements that had taken place during 2014/15 together with their effect on the Council's accounting policies. It also highlighted the steps being taken to achieve earlier closure in response to the Government's stated intention of bringing forward the Local Government Reporting Timetable in 2017/18 whilst still maintaining high quality Financial Statements that were fully compliant 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 Government had signalled its intention to bring forward the date by which the Council's annual Statement of Accounts must be prepared and published. Current Regulations required unaudited accounts to be prepared by 30th June and audited accounts to be published by 30th September. New regulations which were likely to be laid in 2015 were expected to bring the dates forward to 31st May and 31st July respectively. The new Regulations were expected to come into effect for the 2017/18 financial year but authorities were being strongly encouraged to bring about the transition earlier so they were fully geared up in advance of the change.

Accordingly, the 2014/15 closedown timetable had been designed to carry out procedures, previously undertaken at year-end, in -year wherever possible and to review and re-engineer year end processes where necessary to achieve a quicker closedown.

The other key changes in 2014/15 and action taken to address them were set out in Appendices 1 and 2 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 Interim Strategic Director of Resources and Transformation by 30th June, 2014, presented to the July Audit Committee and the audited 2014/15 Financial Statements submitted to the September meeting for formal approval following presentation of KPMG's ISA 260 report.

Discussion ensued on the new Regulations and the implications of bringing forward the requirement to produced unaudited accounts by 31st May with the following raised/highlighted:-

- The Authority was currently on course to achieve the new deadline
- Earlier closure was being achieved by bringing work forward in-year and by greater use of estimation techniques. This has required cultural change as well as procedural
- The increased use of estimation had introduced a greater element of risk of misstatement but this was being mitigated through quality assurance being undertaken by Finance teams on information before it was provided to the Central Team and further checks by the Central Team on its receipt. This should ensure the high standard of previous years was maintained and prevent material misstatements occurring in the accounts presented for audit
- Any errors identified by KPMG above a certain level that did arise would be submitted to the Committee for consideration

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 2014/15 Financial Statements at the September meeting be noted.

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

N37. ANNUAL REVIEW - INSURANCE AND RISK MANAGEMENT PERFORMANCE

Further to Minute No. 20 of the meeting of the Audit Committee held on 18th December, 2013, consideration was given to a report presented by Colin Earl, Director of Transformation, which set out details of the numbers and cost of insurance claims made against the Council.

It was noted that the Council continued to have a very good and improving record in most areas. Proactive Risk Management measures were helping to reduce the number of claims made against the Council and effective monitoring and inspection systems were enabling the Council to successfully defend many claims that were received.

The report highlighted areas where risk management action was helping to achieve the greatest savings in support of the Council's Medium Term Financial Strategy.

Reference was made to the summary of claims received by the Council over the past ten years, relating to the five main areas of insurance risk

On average, the Council had paid £1.52m per year on insurance claims over the last ten years. The need to continue to invest in reducing the costs of accidents via improved management systems, work environment and training could not be overstated.

Following discussions, which commenced in 2012, agreement was reached with the South Yorkshire Passenger Transport Executive that with effect from 1st April, 2015, their insurance claims would be handed by the Governance Section. Whilst the income generated was comparatively modest it illustrated that the Governance Section was capable of leading services for other organisations and of the confidence of others in the Authority's service.

The Committee welcomed this report and the work taking place to improve performance. It was also noted that consideration was being given to promoting the work of the Governance Section to outside bodies.

Resolved:- (1) That the generally very good performance in relation to the management of risk and minimisation of insurance claims costs be noted.

(2) That the premium savings achieved for 2015/16 across various insurance policies and claims handling charges be noted.