

AUDIT COMMITTEE

MEETING, 8th MARCH, 2013

Present – Councillors Greenhalgh (Chairman), A. Connell and S. Harkin.

Also in attendance

Ms. S. Johnson	-	Assistant Director of Information Technology and Finance
Mr. J. Midlane	-	Head of Internal Audit and Risk
Mrs B. Newman	-	Chief Accountant
Mr M. Connor	-	Policy Accountant (Tax and Treasury)
Mr. R. Khangura	-	KPMG
Mr. D. Jones	-	KPMG
Mr. M. Nutter	-	Corporate Risk Officer
Ms. Y. Latham	-	Group Auditor
Mrs V. Ridge	-	Deputy Democratic Services Manager

Apologies for absence were submitted on behalf of Councillors Kay and Morgan.

Councillor Greenhalgh in the Chair.

29. MINUTES

The minutes of the proceedings of the meeting held on 7th December, 2012 were submitted and signed as a correct record.

30. CORPORATE RISK MANAGEMENT PROCESS AND CORPORATE RISKS 2013/14

The Head of Internal Audit and Risk submitted a report that considered the Council's risk management strategy together with the current corporate risks.

As part of the current process Executive Management Team (EMT) examined the strategic risks facing the Council every two years, which were reviewed on an annual basis. EMT had produced a revised list of strategic risks based upon the context in which the Council operated. Action plans for the current corporate risks were attached to the report.

Resolved – That the corporate risks be noted and that the current approach to risk management and the revised Risk Management Policy be agreed.

31. TREASURY MANAGEMENT AND INVESTMENT STRATEGIES FOR 2013/14 to 2015/16

The Deputy Chief Executive submitted a report that outlined the Council's prudential indicators for 2013/14 – 2015/16 and set out the expected treasury operations for this period.

The report fulfilled two key legislative requirements:-

- The treasury management strategy statement which set out how the Council's treasury service would support the capital decisions taken at Minute 32 of this meeting, the day to day treasury management and the limitations on activity through treasury prudential indicators. The key indicator was the Authorised Limit, the maximum amount of debt the Council could afford in the short term, but which would not be sustainable in the longer term. This was the Affordable Borrowing Limit required by S3 of the Local Government Act 2003 and was in accordance with the CIPFA Code of Practice on Treasury Management; and

- The investment strategy which set out the Council's criteria for choosing investment counterparties and limiting exposure to the risk of loss. This strategy was in accordance with the CLG Investment Guidance.

The strategy for 2013/14 covered:-

- the current treasury position;
- treasury indicators which limited the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy; and
- creditworthiness policy.

These elements covered the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the CIPFA Treasury Management Code and CLG Investment Guidance.

The report had been approved by the Cabinet and the Council in February, 2013.

Resolved – That the report be noted.

32. TREASURY MANAGEMENT THIRD QUARTER REPORT 2012/13

The Deputy Chief Executive submitted a report that provided the Committee with an update of the Treasury Management activities during the third quarter of 2012/13.

The Council had received twelve distributions amounting to £3.20 million in relation to the £4 million deposited with Heritable Bank. The latest estimate was that at least 88% of the deposit would be repaid.

Resolved – That the report be noted.

33. CERTIFICATION OF GRANTS AND RETURNS 2011/12

Representatives from KPMG submitted a report that summarised the results of the work on certification of the Council's 2011/12 grant claims and returns.

KPMG had issued unqualified certificates for two returns but a qualification was necessary in one case; also adjustments were necessary to one of the Council's returns as a result of KPMG's certification work. The report concluded that the Council had good arrangements for preparing its grants and returns and supporting KPMG's certification work.

Resolved – That the report be noted.

34. EXTERNAL AUDIT PLAN 2012/13

Representatives of KPMG submitted the External Audit Plan 2012/13 which described how KPMG delivered their financial statements audit work for Bolton Council.

The Plan supplemented the Audit Fee Letter 2012/13 submitted in August 2012 and the Plan also set out KPMG's approach to value for money (VFM) work for 2012/13.

This report was structured as follows:-

Section 2 included headline messages, focusing on the key risks identified this year for the financial statements audit.

Section 3 described the approach KPMG took for the audit of the financial statements.

Section 4 provided further detail on the financial statements audit risks.

Section 5 outlined the key accounting judgements.

Section 6 explained KPMG's approach to VFM work.

Section 7 provided information on the audit team, proposed deliverables, the timescales and fees for the work.

Resolved – That the report be noted.

35. PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The Head of Internal Audit and Risk submitted a report that informed the Committee of the new Public Sector Internal Audit Standards which would come into effect on 1st April, 2013

A self-assessment checklist had been put together from the new standard and this was attached at Appendix A. This would be used to assess the level of compliance and benchmark with other internal audit providers. When completed this would be reported back to the Audit Committee.

The new PSIAS would be fundamental in managing the internal audit function. It brought together best practice across sectors and international boundaries and provides consistent standards for all providers.

The requirements of the new standard were not fundamentally different from the existing CIPFA standards for local government and Bolton already performed well against them.

Completion of the self-assessment checklist and continued dialogue with other Greater Manchester internal auditors would ensure that the Authority was able to meet the new standard.

Resolved – That the new PSIAS be noted and that the self-assessment checklist be completed and that regular reports on progress against the new standard be submitted to the Committee.

36. INTERNAL AUDIT CHARTER

The Head of Internal Audit and Risk submitted a report that set out the draft Internal Audit Charter.

The Public Service Internal Audit Standards (PSIAS) required that an Audit Charter included the following features:

- Define the terms “Board” and “Senior Management”
- Cover arrangements for appropriate resourcing
- Define the role of internal audit in fraud-related work
- Include arrangements for avoiding conflict of interest if internal audit undertakes non-audit activities.

Most of the above appeared in the existing Terms of Reference document but, in order to meet the new code, a draft Internal Audit Charter had been produced and was attached at Appendix A to the report.

In order to give a complete picture of the internal audit service the existing Terms of Reference and Relationships document had been amended and were attached as appendices to this report. The three documents provided a comprehensive description of the service.

Resolved - That the Internal Audit Charter; Amended Terms of Reference for Internal Audit and Amended Relationships Document for Internal Audit be approved.

37. INTERNAL AUDIT REPORTS DECEMBER 2012 TO MARCH 2013

The Head of Internal Audit and Risk submitted a report that informed the Committee of the reports issued by internal audit between December, 2012 to March, 2013

The appendix to the report also included a summary of the recommendations, together with the audit opinion.

It was reported that there were no substantial areas for concern.

Resolved – That the report be noted.

38. INTERNAL AUDIT PLAN 2013/14

The Head of Internal Audit and Risk submitted the draft internal audit plan for 2013/14.

Using the risk assessment process for producing the plan the coverage had been matched with the available resources.

Resolved – That the draft internal audit annual plan for 2013/14 be approved.

39. AUDIT COMMITTEE WORK PROGRAMME

The Deputy Chief Executive submitted a report that detailed the Committee's work programme for the period June, 2013 to September, 2014.

Resolved – That the work programme be noted.

40. EXCLUSION OF PRESS AND PUBLIC

Resolved - That, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that they involve the likely disclosure of exempt information as specified in paragraphs 1 and 4 (staffing and labour relations matters) of Part 1 of Schedule 12A to the Act; and that it be deemed that, in all the circumstances of the case, the public interest in their exemption outweighs the public interest in their disclosure.

41. INTERNAL AND EXTERNAL AUDIT ANNUAL UPDATE

The Head of Internal Audit and Risk explained that this item was an opportunity for both himself and representatives from KMPG to inform the Committee of any concerns they might have in the absence of other officers from the Authority.

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Resolved – That the position be noted.

(The meeting started at 10.00 a.m. and finished at 11.20 a.m.)