

**ACCOUNTS, AUDIT & GOVERNANCE COMMITTEE
25TH SEPTEMBER 2013**

Present: Councillors: David Holmes (Chairman), John Bailey, Roy Cornell,
Leonard Crosbie, Jim Rae

Apologies: Councillors: Gordon Lindsay (Vice-Chairman), Stuart Ritchie

Also present: Helen Thompson, Audit Director, Ernst & Young
Kevin Suter, Senior Audit Manager, Ernst & Young

AAG/21 **MINUTES**

The minutes of the meeting held on 27th June 2013 were approved as a correct record and signed by the Chairman.

AAG/22 **DECLARATIONS OF INTEREST**

There were no declarations of interest.

AAG/23 **ANNOUNCEMENTS**

There were no announcements.

AAG/24 **AUDIT RESULTS REPORT FOR THE YEAR ENDING 31ST MARCH 2013**

Helen Thompson, Audit Director, Ernst & Young, presented the Audit Results Report for 2012/13 and thanked the Council's Finance staff for all their assistance during the audit period.

The Auditor anticipated issuing an unqualified audit opinion and to conclude that the Council had made proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. It was noted that the Auditors had received no questions or objections from members of the public in respect of the 2012/13 financial statements.

It was also noted that the actual audit fee was in line with the agreed fee.

The Committee thanked the Council's Finance staff for their outstanding work, which had resulted in such a good Audit Results Report.

RESOLVED

That the report be noted.

AAG/25 **LETTER OF REPRESENTATION 2012/13**

The Director of Corporate Resources submitted the letter of representation to the External Auditor to Committee for approval.

RESOLVED

That the Letter of Representation be approved and signed by the Director of Corporate Resources and the Chairman of the Committee.

AAG/26 **STATEMENT OF ACCOUNTS 2012/13**

The Director of Corporate Resources presented the Statement of Accounts 2012/13, on which the External Auditor anticipated issuing an unqualified audit opinion.

The Statement of Accounts had been considered in draft form at the last meeting of the Committee and Members of the Committee had also had the opportunity to raise any questions or issues at a recent workshop.

RESOLVED

That the 2012/13 Statement of Accounts be approved.

REASON

There is a statutory duty for the Council to approve the Statement of Accounts each year

AAG/27 **ANNUAL GOVERNANCE STATEMENT 2012/13**

The Director of Corporate Resources reported that the Accounts and Audit (England) Regulations 2011 required the Council to review, at least once a year, the effectiveness of its governance arrangements and to publish an Annual Governance Statement. The draft Statement had been considered at the last meeting of the Committee, when Members had been invited to submit any comments to both the Director of Corporate Resources and the Chairman of the Committee (Minute No. AAG/15 (27.6.13) refers). The Chairman requested that, in future, if Members made any such comments they should receive some feedback from officers.

The review included information and assurance gathering processes to ensure that the published Annual Governance Statement was correct, as well as a review of the Council's Governance framework against the best practice framework devised by CIPFA/SOLACE.

AAG/27 Annual Governance Statement 2012/13 (cont.)

The aim of the review process was to ensure that the Council had effective governance, risk management and internal control processes in place to assist with accountability and the delivery of objectives. Additionally, the review process identified any shortfalls in these arrangements to enable them to be addressed.

It was noted that an additional internal control weakness had been added since the draft Statement had been submitted to the last meeting and action had already been taken to address this issue.

The Chairman of the Committee suggested that, given the references in Core Principles (1) and (3), the Chief Executive and the Leader should give consideration to confirming the morale of the staff and reviewing the current significance of the Horsham District Community Partnership and the Sustainable Community Strategy.

RESOLVED

That the Annual Governance Statement for 2012/13 be approved.

REASON

There is a statutory duty for the Council to approve the Annual Governance Statement each year.

AAG/28 **TREASURY MANAGEMENT ACTIVITY AND PRUDENTIAL INDICATORS 2012/13**

The Director of Corporate Resources presented a report on treasury management activity and prudential indicators for 2012/13.

The report confirmed that, during 2012/13, the Council had complied with its legislative and regulatory requirements and the statutory borrowing limit (the Authorised Limit) had not been breached.

The report contained details of the Council's external debts and investments and reviewed the economic background to Treasury Management activity in 2012/13.

RESOLVED

- (i) That the treasury management stewardship report for 2012/13 be noted.

AAG/28 Treasury Management Activity and Prudential Indicators 2012/13 (cont.)

- (ii) That the actual prudential indicators for 2012/13 be noted.

REASON

The annual treasury report is a requirement of the Council's reporting procedures. The report also covers the actual Prudential Indicators for 2012/13 in accordance with the requirements of the relevant CIPFA Codes of Practice.

AAG/29 **INTERNAL AUDIT – QUARTERLY UPDATE REPORT**

The Chief Internal Auditor submitted a report summarising the work of the Internal Audit Section since June 2013.

A summary of audit findings in respect of Fuel Cards, Insurance, Community Link Alarms and Land Charges was submitted and the Committee was pleased to note that these had all achieved an overall audit opinion of substantial assurance.

The Chief Internal Auditor also referred to other work that had been undertaken relating to the development of a 5x5 risk matrix to replace the current 3x3 matrix and a data matching exercise aimed at detecting possible benefits fraud.

It was noted that the Audit Plan for 2013/14 had been reviewed to take account of a number of factors including:

- a temporary shortfall in resources due to long term sickness and a gap between the departure of a member of the audit team and the commencement of the employment of a replacement, and
- the need to respond to new risk areas identified since the Audit Plan had been agreed.

The Chief Internal Auditor gave an update on the current position regarding audits completed or nearing completion and indicated that it was likely that not all planned audits would be achieved in the current year. He would be better able to quantify the likely shortfall at the next meeting of the Committee. The Director of Corporate Resources advised that a decision on the required level of staff resources within the audit team would be made as part of the budget process.

RESOLVED

That the summary of audit work undertaken since June 2013 be noted.

AAG/29 Internal Audit – Quarterly Update Report (cont.)

REASONS

- (i) To comply with the requirements set out in the Public Sector Internal Audit Standards 2013.
- (ii) The Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

AAG/30 **RISK MANAGEMENT – QUARTERLY UPDATE REPORT**

The Chief Internal Auditor presented the latest quarterly update in respect of the Corporate Risk Register.

It was noted that the corporate risk register had been fully reviewed by the Corporate Management Team and that risks CRR43 (relating to the provisions of the Infrastructure & Growth Act 2012, whereby the Secretary of State could designate the Council as a poorly performing Council and enable applicants to apply direct to the Planning Inspectorate) and CRR44 (relating to PSN compliance) had been added as new risks. Risk CRR30 (potential financial loss due to new government initiative for the localisation of business rates) had been removed, as agreed at the last meeting of the Committee, as the financial risk had now been quantified as 7.5% and would be limited to a figure of £135,000. Corporate Management Team had recommended that risks CRR21 (formal Cascade system for calling out staff as required to resolve internal incidents); CRR31 (potential financial loss due to new Government initiative to move towards Universal Credit); and CRR39 (low morale of workforce and/or withdrawal of goodwill as a result of the terms and conditions review) should be removed, for the reasons set out in the report.

Members considered that it was premature to remove CRR39, but that it should be amended to refer to other forthcoming changes that would affect staff such as the management restructure, Hay and pay banding reviews and business transformation/commissioning.

RESOLVED

- (i) That the updated Corporate Risk Register be noted, subject to the retention of CRR39 in an amended form, as outlined above.
- (ii) That the main points of discussion at the recent Operational Risk Management Group meeting be noted.

AAG/30 Risk Management – Quarterly Update Report (cont.)

- (iii) That the progress made in respect of departmental risk registers be noted.

REASON

To ensure that the Council has adequate risk management arrangements in place.

AAG/31 **URGENT MATTERS**

There were no urgent matters to be considered.

AAG/32 **EXCLUSION OF THE PRESS AND PUBLIC**

RESOLVED

That, under Section 100A(2) 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 it involves the likely disclosure of exempt information, as defined in Part I of Schedule 12A of the Act, by virtue of the paragraph specified against each item, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

AAG/33 **INTERNAL AUDIT – QUARTERLY UPDATE REPORT ON AUDIT FOLLOW UPS (PARAGRAPH 3)**

The Chief Internal Auditor reported on the current position regarding the percentage of agreed action items implemented in respect of audits undertaken in 2013/14, 2012/13, 2011/12, 2010/11 and 2009/10, together with details of agreed actions not yet implemented, an update for each item (including an assessment of priority) and a revised implementation date.

Two specific areas of concern were highlighted by the Chief Internal Auditor (Report Nos. 635 and 636).

The Head of Operational Services updated the Committee on the current position regarding Hop Oast Depot (Report No. 636). The Chairman indicated that if Members had any further questions on this matter, he would raise them with the relevant officers and obtain replies.

With regard to Report No.624, Ref No. 3.1, the Head of Financial & Legal Services would ensure that a further explanation was circulated to Members of the Committee.

AAG/33 Internal Audit – Quarterly Update Report on Audit Follow Ups (Paragraph 3)
(cont.)

The Head of Financial & Legal Services would ensure that the appropriate officer drew to the attention of relevant Parish Councils the availability of S106 community facilities monies.

The meeting finished at 7.10pm having commenced at 5.30pm.

CHAIRMAN