

**Accounts, Audit & Governance Committee**  
**23 MARCH 2016**

Present: Councillors: Godfrey Newman (Chairman), Stuart Ritchie (Vice-Chairman), Brian Donnelly, Adrian Lee and Paul Marshall

Apologies: Councillors: Paul Clarke and Ian Howard

Also Present: Councillors Leonard Crosbie and Nigel Jupp  
Paul King, Audit Director, Ernst & Young  
Hannah Lill, Manager, Ernst & Young  
Tom Crowley, Chief Executive  
Dominic Bradley, Head of Finance  
Paul Miller, Chief Internal Auditor

AAG/45 **MINUTES**

The minutes of the meeting held on 6<sup>th</sup> January 2016 were approved as a correct record and signed by the Chairman.

AAG/46 **DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations of interest.

AAG/47 **ANNOUNCEMENTS**

There were no announcements.

AAG/48 **AUDIT PLAN 2015/16 - TO BE PRESENTED BY THE EXTERNAL AUDITOR**

Paul King, Audit Director, Ernst & Young, presented the External Auditors Plan in respect of the 2015/16 audit. The Plan set out the audit work the Auditor proposed to undertake for the audit of financial statements; the statutory conclusion on the Council's arrangements to secure value for money (economy, efficiency and effectiveness); and the review of the Whole of Government Accounts return.

The Audit Director drew attention to two risks that had been identified as being relevant to the audit of financial statements and indicated how these areas would be audited:

- Risk of management override (the Audit Director reassured Members that this was not a particular risk at Horsham but one that was identified and responded to on every audit engagement they undertook).
- National Non-Domestic Rates (NNDR) rateable value appeals provision.

With regard to value for money, the Audit Director had identified one significant risk: Sustainable Resource Development (the predicted budget gap in future years). The Audit Director also gave a short presentation on the new code of audit practice.

The Audit Director referred to the definition used by the auditors for materiality when determining whether the financial statements were free from material error.

The planned fee for the 2015/16 audit had been set at £50,094, a 25% reduction from the out-turn fee for 2014/15.

The outcome of the 2015/16 audit would be reported to the meeting of the Committee in September 2016.

AAG/49 **AUDIT PROGRESS REPORT 2015/16 - TO BE PRESENTED BY THE EXTERNAL AUDITOR**

Paul King, Audit Director, Ernst & Young, gave an overview of plans for the 2015/16 audit. Certification of the 2014/15 housing benefit subsidy claim had been completed in November 2015 and the certification report was a separate item on the agenda for this meeting.

The report also noted that a key area of the Accounts and Audit Regulations 2015 was that from the 2017/18 financial year, the timetable for the preparation and approval of accounts would be brought forward to a draft accounts deadline of 31<sup>st</sup> May and an audit deadline of 31<sup>st</sup> July. These changes provided challenges for both the preparers and the auditors of the financial statements. With this in mind, Ernst & Young had provided some suggestions which would help achieve these new statutory deadlines.

The Department for Communities and Local Government had recently announced that it had decided to extend the existing arrangements for awarding external audit contracts by one year, to the end of 2017/18. From 2018/19 onwards, larger local government bodies would be responsible for appointing their own auditors and directly managing the resulting contract. Existing external audit arrangements would remain unchanged for the 2015/16, 2016/17 and 2017/18 financial years

AAG/50 **GRANT CERTIFICATION REPORT 2014/15 - TO BE PRESENTED BY THE EXTERNAL AUDITOR**

Hannah Lill, Manager, Ernst & Young, presented the outcomes of the certification work on the 2014/15 claim and returns. The claim involved was for the Housing Benefits subsidy (£31,572,184).

It was noted that a qualification letter had been issued in respect of the claim due to the identification of errors in the calculation of benefits or compilation of

claims, which had an impact on the subsidy paid. These issues had been previously discussed at the Committee's last meeting (Minute No. AAG/36 (6/1/16) refers). It was also noted that senior officers from the CenSus partnership had met with Members to discuss the issues and answer questions.

The actual certification fee for 2014/15 was the same as the initial indicative figure and was lower than that for 2013/14 as the Department of Work and Pensions had not requested any additional work. The indicative certification fee for 2015/16 was lower again at £12,360.

The report recommended that the Council continued to implement the recommendations it made in respect of the 2013/14 certification claim and summarised the progress that had been made to date.

#### AAG/51 **RISK MANAGEMENT - QUARTERLY UPDATE**

The Chief Executive presented the latest quarterly update of the Corporate Risk Register.

The Senior Leadership Team had reviewed all outstanding actions on the corporate risk register and updated the comments to reflect the current position for each risk. As requested by the Committee, two new risks had been added to the register: temporary absence of Section 151 Officer (CRR16) and Benefit Subsidy Claim (CRR17).

It was noted that the Chief Internal Auditor had provided updated training to all service managers and risk champions on how to manage their risks.

RESOLVED

That the report be noted.

REASON

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

#### AAG/52 **INTERNAL AUDIT - QUARTERLY UPDATE REPORT**

The Chief Internal Auditor submitted a report summarising the work of the Internal Audit Section since December 2015.

A summary of audit findings in respect of Building Control Fees and National Non-Domestic Rates (both of which had achieved an overall audit opinion of substantial assurance) and Housing Allocations, VAT, DEFRA Grant (Flooding) and Council Tax (all of which had achieved an overall audit opinion of satisfactory assurance) was submitted.

It was noted that the audit plan for 2015/16 was currently on schedule.

The Internal Audit Strategy, Internal Audit Plan 2016/17 and the Internal Audit Charter were all submitted for approval.

RESOLVED

- (i) That the summary of audit and project work undertaken since December 2015 be noted.
- (ii) That the Internal Audit Strategy, Internal Audit Plan for 2016/17 and the revised Internal Audit Charter be approved.

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/53 **URGENT BUSINESS**

There were no urgent matters to be considered.

AAG/54 **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 items of business on the grounds that they involve 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/55 **INTERNAL AUDIT - QUARTERLY UPDATE ON AUDIT FOLLOW-UPS**

The Chief Internal Auditor submitted a report summarising progress since December 2015 on the implementation of actions in respect of audits undertaken in 2015/16, 2014/15, 2013/14 and 2012/13.

RESOLVED

- (i) That progress in terms of agreed actions implemented since December 2015 be noted.

- (ii) That the position in respect of the specific areas highlighted by the Chief Internal Auditor be noted.

REASON

The Committee is responsible for reviewing the effectiveness of the Council's system of internal control.

AAG/56 **AUDIT REPORT**

The Chief Internal Auditor submitted a report summarising the findings from a recent audit which had achieved an overall audit opinion of limited assurance.

RESOLVED

That the audit findings and remedial action arising from the recent audit be noted.

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.

*The meeting closed at 7.45 pm having commenced at 6.00 pm*

CHAIRMAN