

Accounts, Audit & Governance Committee
13 SEPTEMBER 2016

Present: Councillors: Godfrey Newman (Chairman), John Chidlow, Stuart Ritchie (Vice-Chairman), Brian Donnelly, Tim Lloyd and Paul Marshall

Apologies: Councillor: Adrian Lee

Also Present: Councillor: Leonard Crosbie
Paul King, Audit Director, Ernst & Young

AAG/16 **MINUTES**

The minutes of the meeting held on 28th June 2016 were approved as a correct record and signed by the Chairman.

AAG/17 **DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations of interest.

AAG/18 **ANNOUNCEMENTS**

There were no announcements.

AAG/19 **AUDIT RESULTS REPORT**

Paul King, Audit Director, Ernst & Young, presented the Audit Results Report for 2015/16. He indicated that the audit of the financial statements of the Council for 2015/16 had now been completed and he anticipated issuing an unqualified audit opinion on them.

The Auditor had identified an audit finding in respect of the Council's National Non-Domestic Rates rateable appeals provision, which had in their view been overstated. This was not considered to be material and therefore there was no proposal to adjust the provision. The risk of management override, was not a particular risk at Horsham but one that was identified and responded to on every audit engagement undertaken. The audit work found no evidence that management had attempted to override internal controls.

The Auditor again acknowledged the significant scale of the financial challenge faced by the Council in the near future and, from the work completed, had not identified any significant weaknesses in the Council's arrangements. It was noted that the Auditor expected to conclude that the Council had put in place proper arrangements to secure value for money in its use of its resources.

RESOLVED

That the report be noted.

AAG/20 **LETTER OF REPRESENTATION 2015/16**

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

It was noted that the first sentence in section G on the use of the work of a specialist had been amended to read: "We agree with the findings of the specialists that we engaged to evaluate the valuation of land and buildings and investment property **and in the calculation of the NDR appeals provision** and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records."

RESOLVED

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

AAG/21 **STATEMENT OF ACCOUNTS 2015/16**

The Head of Finance presented the Statement of Accounts 2015/16, on which the External Auditor anticipated issuing an unqualified audit opinion.

It was noted that section 26 regarding leases had been amended to include reference to the Council's future commitments on the lease of its main office.

The officers in the Council's Finance Department were thanked for their work in preparing the Statement of Accounts.

RESOLVED

That the 2015/16 Statement of Accounts be approved.

REASON

It is a requirement of the Accounts and Audit (England) Regulations 2015 that the Statement of Accounts is approved by 30th September.

AAG/22 **ANNUAL GOVERNANCE STATEMENT 2015/16**

The Director of Corporate Resources reported that the Accounts and Audit (England) Regulations 2011 required the Council to review, at least annually, 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 the Director of Corporate Resources (Minute No. AAG/12 (28.6.16) refers).

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.

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.

With reference to the action plan for 2016/17, Members referred to the importance of budget monitoring and forecasting and the importance of the staff appraisal process and personal development plans.

The Chairman reminded Members that the Committee had been tasked with reviewing the effectiveness of the new governance arrangements once they had been in operation for a year.

RESOLVED

That the Annual Governance Statement for 2015/16 be approved.

REASON

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

AAG/23 **TREASURY MANAGEMENT ACTIVITY AND PRUDENTIAL INDICATORS 2015/16 AND REQUEST FOR REVISION OF THE 2016/17 TREASURY MANAGEMENT STRATEGY**

The Director of Corporate Resources presented a report on treasury management activity and prudential indicators for 2015/16.

The report indicated that at the start of 2015/16, when under the terms of the new Treasury Management Strategy 2015/16 the Council's investment in unsecured banks had been reduced from £5,000,000 to £2,500,000 per institution, the limit was breached as an existing investment was not immediately reduced. The balance was reduced on 6th May 2015 and no loss was incurred by the Council. In all other instances 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 2015/16.

Due to the reduction in interest rates and the growth in funds needing to be invested, the report also sought approval for the mid-year revision of the 2016/17 Treasury Management Strategy in the form of an increase in the limit on long term investments from £8,000,000 to £12,000,000 and an increase in the limit on pooled funds from £5,000,000 to £10,000,000.

RESOLVED

- (i) That the treasury management stewardship report for 2015/16 be noted.
- (ii) That the actual prudential indicators for 2015/16 be noted.

RECOMMENDED TO COUNCIL

- (iii) That the 2016/17 Treasury Management Strategy be amended with an increase in the limit on long term investments from £8,000,000 to £12,000,000 and an increase in the limit on pooled funds other than Money Market Funds from £5,000,000 to £10,000,000.

REASONS

- (i) The annual treasury report is a requirement of the Council's reporting procedures. The report also covers the actual Prudential Indicators for 2015/16 in accordance with the requirements of the relevant CIPFA Codes of Practice.
- (ii) External economic developments together with an increase in the monies needing to be invested necessitate a revision to the current strategy.

AAG/24 **RISK MANAGEMENT - QUARTERLY UPDATE**

The Director of Corporate Resources 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. Two emerging risks had been added relating to Cyber Risk (CRR18) and Brexit (CRR19).

RESOLVED

That the report be noted.

REASON

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

AAG/25 **INTERNAL AUDIT - QUARTERLY UPDATE REPORT**

The Chief Internal Auditor submitted a report summarising the work of the Internal Audit Section since June 2016.

A summary of audit findings in respect of Building Control Partnership - Cost Sharing Arrangements and Private Sector Housing Assistance Grants (both of which had achieved an overall audit opinion of substantial assurance); Recruitment (which had achieved an overall audit opinion of satisfactory assurance); and Security - Parkside (which had achieved an overall audit opinion of limited assurance) was submitted. The Committee was advised of actions being undertaken to address the control weaknesses identified in respect of Parkside security, in particular those highlighted and discussed by Members. Further information would be provided to the Members of the Committee in respect of this issue, as requested at the meeting.

The report also summarised other work being undertaken by the Internal Audit team and gave a progress update in respect of the Audit Plan.

RESOLVED

That the summary of audit and project work undertaken since June 2016 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.

AAG/26 **URGENT BUSINESS**

There were no urgent matters to be considered.

AAG/27 **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/28 **INTERNAL AUDIT – QUARTERLY UPDATE ON AUDIT FOLLOW-UPS**

The Chief Internal Auditor submitted a report summarising progress since June 2016 on the implementation of actions in respect of audits undertaken in 2016/17, 2015/16, 2014/15, 2013/14 and 2012/13.

RESOLVED

- (i) That progress in terms of agreed actions implemented since June 2016 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

The meeting closed at 6.51 pm having commenced at 5.30 pm

CHAIRMAN