

**Audit Committee**  
**22 MARCH 2017**

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

Apologies: Councillors: John Chidlow and Brian Donnelly

Also Present: Paul King, Audit Director, Ernst & Young  
Hannah Lill, Manager, Ernst & Young

AAG/41 **MINUTES**

The minutes of the meeting held on 4<sup>th</sup> January 2017 were approved as a correct record and signed by the Chairman.

AAG/42 **DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations of interest.

AAG/43 **ANNOUNCEMENTS**

Paul King, Audit Director, Ernst & Young advised the Committee of a potential independence issue as his wife was a Director of, and his daughter worked at, a local business 'Jubilee Bakes', which had recently received grant aid from Horsham District Council. However, the matter had gone through the Ernst & Young independence committee/board process and it was considered that the issue was not of sufficient significance as to affect his independence in his capacity as the Council's external auditor. The Director of Corporate Resources had been unaware of the grant application until after it had been awarded.

AAG/44 **AUDIT PROGRESS REPORT 2017/18**

Paul King, Audit Director, Ernst & Young, gave an overview of plans for the 2016/17 audit. Certification of the 2015/16 housing benefit subsidy claim had been completed in November 2016 and the certification report was a separate item on the agenda for this meeting.

The report indicated that the external auditors had held an audit planning meeting with key officers to discuss significant issues for the audit; how they could work together to improve the accounts production and audit process for 2016/17; and how they would meet the earlier audit deadlines in 2017/18. An outline timetable for the audit was submitted.

The report noted amendments that had been made to the Code of Practice on Local Authority Accounting in the United Kingdom, changing the way the financial statements were presented. The change in the code would require a

new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements.

AAG/45 **GRANT CERTIFICATION REPORT 2015/16**

Hannah Lill, Manager, Ernst & Young, presented the outcomes of the certification work on the 2015/16 claim and returns. The claim involved was for the Housing Benefits subsidy (total value £31,743,355).

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. The total value of the extrapolations and errors in the qualification letter together with the current year Local Authority (LA) error and administrative delay figure on the claim form breached the LA error and administrative delay threshold. However, the DWP had agreed for the Council to provide further representations for the exclusion of a case which they believed was isolated from the extrapolations. The revised extrapolation together with an isolated error of £202 had resulted in a revised overpayment of subsidy of £234,252 which the DWP was likely to request be repaid in full.

It was noted that the Council had made progress in implementing the five recommendations the external auditors initially made in February 2015 in respect of the 2013/14 grant certification report, and additional actions had been put in place for 2016/17. The report recommended that the Council continued with the implementation of these recommendations and actions.

The Committee noted that Cabinet was currently reviewing options for the provision of the revenues and benefits service and Members had been and continued to be briefed on relevant issues.

AAG/46 **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. The corporate risk profile highlighted two risks as being high and details of control actions in respect of all risks on the register were submitted. It was noted that risk CRR09 relating to the Council's decision making had now been mitigated and would be removed from the register.

RESOLVED

That the report be noted.

## REASON

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

### AAG/47 **INTERNAL AUDIT - QUARTERLY UPDATE REPORT**

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

A summary of audit findings in respect of Council Tax and Hop Oast Depot ~ Disposal of Bulky Bags (both of which had achieved an overall audit opinion of substantial assurance) and Debtors, Creditors and Budgetary Control (all of which had achieved an overall audit opinion of satisfactory assurance) was submitted.

It was noted that the audit plan for 2016/17 was currently on schedule.

The Internal Audit Strategy, Internal Audit Plan 2017/18 and the Internal Audit Charter were all submitted for approval.

## RESOLVED

- (i) That the summary of audit and project work undertaken since December 2016 be noted.
- (ii) That the Internal Audit Strategy, Internal Audit Plan for 2017/18 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/48 **LOCAL CODE OF CORPORATE GOVERNANCE**

The Director of Corporate Resources reported that the governance framework was an interrelated system that brought together legislative requirements, governance principles and management processes. The Framework would ensure that resources were directed in accordance with agreed policy and according to priorities. It would also ensure that there was sound and inclusive decision-making and that there was clear accountability for the use of those resources in order to achieve effective outcomes for service users and communities.

The Council's Local Code of Governance had been developed in accordance with and was consistent with the CIPFA/SOLACE "Delivering Good Governance in Local Government Framework" (2016 Edition). It described how the Council intended to achieve good corporate governance in an open and explicit way and set out the framework within which the Council conducted its business and affairs.

The Local Code of Corporate Governance would be used as the basis for the Annual Governance Statement, the preparation of which was necessary to meet the statutory requirements of the Accounts and Audit Regulations 2015.

RESOLVED

That the Local Code of Corporate Governance be approved.

REASON

To fulfil the Committee's responsibilities, as set out in its terms of reference.

AAG/49 **URGENT BUSINESS**

There were no urgent matters to be considered.

AAG/50 **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/51 **INTERNAL AUDIT - QUARTERLY UPDATE ON AUDIT FOLLOW-UPS**

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

RESOLVED

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

AAG/52 **BULKY WASTE (SPECIAL COLLECTIONS)**

The Chief Internal Auditor submitted a report summarising the findings from a recent audit of bulky waste (special collections) which had achieved an overall audit opinion of no assurance.

The Head of Waste, Street Scene & Fleet advised the Committee of actions that had been and were being taken to address the issues identified.

It was noted that Internal Audit would undertake a further review of this area once the appropriate procedures and controls had been implemented.

RESOLVED

That the audit findings and the actions proposed to address the control weaknesses be noted.

REASON

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

*The meeting closed at 6.30 pm having commenced at 5.30 pm*

CHAIRMAN