

Accounts, Audit & Governance Committee
28 JUNE 2016

Present: Councillors: Godfrey Newman (Chairman), Brian Donnelly, Adrian Lee and Tim Lloyd

Apologies: Councillors: Stuart Ritchie and John Chidlow

Also Present: Councillors Leonard Crosbie and Christian Mitchell
Paul King, Audit Director, Ernst & Young
Jane Eaton, Director of Corporate Resources
Dominic Bradley, Head of Finance
Paul Miller, Chief Internal Auditor

AAG/1 **ELECTION OF CHAIRMAN**

RESOLVED

That Councillor Godfrey Newman be elected Chairman of the Committee for the current Council year.

AAG/2 **APPOINTMENT OF VICE-CHAIRMAN**

RESOLVED

That Councillor Stuart Ritchie be appointed Vice-Chairman of the Committee for the current Council year.

AAG/3 **TO APPROVE THE TIME OF MEETINGS OF THE COMMITTEE FOR THE ENSUING YEAR**

RESOLVED

That meetings of the Committee be held at 5.30pm for the ensuing Council year.

AAG/4 **MINUTES**

The minutes of the meeting held on 23rd March 2016 were approved as a correct record and signed by the Chairman.

AAG/5 **DECLARATIONS OF MEMBERS' INTERESTS**

There were no declarations of interest.

AAG/6 **ANNOUNCEMENTS**

There were no announcements.

AAG/7 **AUDIT PROGRESS REPORT**

Paul King, Audit Director, Ernst & Young presented a progress report which provided an overview of their plans for the 2015/16 audit and a summary of work undertaken since the last report to the Committee. The report included a timetable showing the key stages for the 2015/16 audit.

AAG/8 **YEAR END OUTTURN REPORT 2015/16**

The Head of Finance presented a report comparing the 2015/16 actual expenditure (outturn) on revenue and capital with the budget approved by the Council in February 2015.

The budget was monitored on a monthly basis and reports were made to Cabinet, Council and the Finance & Performance Working Group throughout the year.

The Council had achieved a £758,000 surplus in 2015/16 after allowing for budgets carried forward to 2016/17 to cover essential expenditure which had been unavoidably delayed. The surplus comprised a combination of income in excess of budget, efficiencies and net underspends during the year, which were summarised in the report.

Capital expenditure amounted to £7,400,000 for the period, against an approved budget of £29,900,000 for the year. The underspend was a result of a number of capital schemes not progressing as far as expected in the 2015/16 financial year. The significant schemes re-profiled into future years, which had been previously reported, were the Hop Oast depot redevelopment, Broadbridge Heath Leisure Centre, the building of temporary accommodation at the Bishopric, a loan to a third party housing association, the remainder of the commercial property investment fund and the postponement of some vehicle replacements whilst a vehicle review was carried out.

It was noted that the Council held a number of ear marked reserves which could be used in-year to fund associated expenditure. Information on the movements between the general fund and these reserves during the year was reported.

The Council was currently forecasting budget deficits from 2017/18 through to 2019/20 and a range of actions were being considered and, where appropriate, implemented to help reduce these future deficit forecasts, including further income generation, efficiency measures and commissioning. Closing these gaps completely would require further investment in transformational projects and, therefore, £500,000 would be transferred from the General Fund reserve balance to an earmarked transformation reserve for this purpose during

2016/17. Expenditure from this transformation reserve would follow the normal financial authorisation and budget process procedures.

As in previous years, the Head of Finance would provide a briefing for Members of the Committee on the annual Statement of Accounts in the week before they were due to be approved at the next meeting of the Committee in September 2016.

RESOLVED

That the following be noted:

- (i) The financial position of the Council as outlined in the report.
- (ii) The revenue budgets carried forwards as approved by the Director of Corporate Resources and outlined in the report.
- (iii) The transfers between the general reserves and the earmarked reserves as outlined in the report.
- (iv) The transfer of £500,000 from the General Fund reserve to an earmarked transformation reserve.

REASON

Monitoring of the Council's budget is essential, so that action can be taken to safeguard the Council's financial position if required.

AAG/9 **RISK MANAGEMENT - QUARTERLY UPDATE**

The Chief Internal Auditor 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. Risk CRR16 (temporary absence of Section 151 Officer) would be removed as the Director of Corporate Resources was now in post.

RESOLVED

That the report be noted.

REASON

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

AAG/10 **INTERNAL AUDIT - QUARTERLY UPDATE REPORT**

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

A summary of audit findings in respect of Purchase Cards (which had achieved an overall audit opinion of substantial assurance); Housing Benefits, Cash and Bank, Creditors, Treasury Management, Payroll, Planning Fees and Declarations of Interest (all of which had achieved an overall audit opinion of satisfactory assurance); and Debtors, Capitol Theatre and Data Access Management (all of which had achieved an overall audit opinion of limited assurance) was submitted. Members were advised in particular of actions being undertaken to address the control weaknesses identified in respect of the limited assurance findings.

Members of the Committee would be provided with further information regarding unpaid debtor accounts being dealt with by the legal department including the total value of outstanding debts, recovery rate, type and age of debts and how much was written off. The Head of Finance would also provide some summary information on the debt balances and bad debt provision within the statement of accounts

RESOLVED

That the summary of audit and project work undertaken since March 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/11 **ANNUAL INTERNAL AUDIT REPORT 2015/16**

The Chief Internal Auditor advised that the annual report had been compiled to:

- Provide a statement on conformance with the Public Sector Internal Audit Standards;
- Summarise the effectiveness of internal audit work; and
- Summarise the work undertaken by Internal Audit during 2015/16 and provide an overall opinion on the adequacy of the Council's governance arrangements, risk management systems and control environment.

The Council's Internal Audit Service operated in accordance with the Public Sector Internal Audit Standards, which required the Chief Internal Auditor to undertake a self-assessment of the internal audit service against a Quality Assurance and Improvement Plan checklist the results of which were outlined as part of the Annual Audit Report. It was noted that the Internal Audit Team

had maintained its independence throughout 2015/16 in accordance with the Audit Charter.

The Internal Audit team used a risk based approach when determining the annual audit plan and undertaking audit assignments. In order to respond to new risk areas identified during the year, the audit plan was sufficiently flexible to allow for additional audits to be undertaken. During the year, 87% of audits had been completed against a target of 85%. Details of progress against the annual plan for 2015/16, the implementation of agreed actions, reporting and management feedback were reported.

The Chief Internal Auditor reported that he was of the overall opinion that satisfactory assurance could be given that there was generally a sound system of internal control, designed to meet the Council's objectives, and that the controls were generally being applied consistently.

In response to Members' queries, the Chief Internal Auditor explained how the areas for inclusion in each annual audit plan were determined and the follow up procedures for completed audits.

RESOLVED

- (i) That the statement of compliance with the Public Sector Internal Audit Standards be noted.
- (ii) That the performance of internal audit against performance targets be noted.
- (iii) That the opinion of the Chief Internal Auditor on the overall adequacy and effectiveness of the Council's internal control environment, governance and risk management systems be noted.

REASONS

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

AAG/12 **DRAFT ANNUAL GOVERNANCE STATEMENT**

The Director of Corporate Resources submitted the Annual Governance Statement (AGS) in draft form for Members' information. The annual review of the Council's governance, risk management and internal control arrangements had been undertaken to support the production of the Annual Governance Statement for 2015/16. This 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 the Chartered Institute of Public Finance Accountants/Society of Local Authority Chief Executives.

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.

The AGS would be submitted for final approval by the Committee at its next meeting in September.

RESOLVED

That Members pass any comments on the draft Annual Governance Statement for 2015/16 to the Director of Corporate Resources so they can be incorporated prior to the formal approval of the Statement at the next meeting of the Committee.

REASON

To allow Members the opportunity to comment.

AAG/13 **URGENT BUSINESS**

There were no urgent matters to be considered.

AAG/14 **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/15 **AUDIT FOLLOW-UPS**

The Chief Internal Auditor submitted a report summarising progress since March 2016 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 March 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 7.12 pm having commenced at 6.00 pm

CHAIRMAN