

**Minutes of a Meeting of the Audit Committee held on
20 September 2016 from 7.00 p.m. to 8.19 p.m.**

Present: John Belsey (Chairman)
Ruth de Mierre (Vice-Chairman)

Anne Boutrup	Andrew Lea	Neville Walker
Tony Dorey	Linda Stockwell	

* Absent.

Also Present: Councillor Jonathan Ash-Edwards.

Also in Attendance: Paul King, Ernst and Young
Hannah Lill, Ernst and Young.
Gillian Edwards, Internal Auditor.
Peter Stuart, Head of Corporate Resources and Section 151 Officer.

1. SUBSTITUTES AT MEETINGS OF COMMITTEE – COUNCIL PROCEDURE RULE 4

None.

2. APOLOGIES FOR ABSENCE

None.

3. DECLARATIONS OF INTEREST

None.

4. MINUTES

The Minutes of the meeting of the Committee held on 11 July 2016 were agreed as correct record and signed by the Chairman.

5. URGENT BUSINESS

None.

6. INTERNAL AUDIT – MONITORING REPORT

The Chairman agreed to move this from item nine on the agenda to item six at the request of the report presenter.

Gillian Edwards, Internal Auditor, presented her report on the Internal Audit. Since the Committee had last met in July, there had been an audit on car-parking and there had been no high priority findings.

She advised the Committee that the non-removal of CenSus user accounts had been noted in the previous Committee, and since then this had been regularly monitored. She advised that it is the responsibility of the Revenue and Benefits System Admin Team to remove user accounts after someone had left, and this had not been happening. She stated she will liaise with Horsham District Council on this part of the audit which they

would do next year

The Internal Auditor also informed Members that since the previous Committee there had been a successful backup and restore of the CenSus Academy system.

She concluded that she was confident that all audits will be completed by the end of March 2017.

A Member sought to clarify if CenSus accounts could be configured to renew periodically and expire if they are not renewed. The Internal Auditor stated she will look into this and see if there is a way this could be configured in the same way that passwords expire periodically, she stated she will report back her findings in the next Committee in November.

A Member wished to know if there is a function to find 'ghost' accounts in other Council systems. The Internal Auditor said that she was confident that the financial systems the Council use do not have ghost accounts but cannot assure Members that this is the case within all CenSus systems.

The Member also stated that the disaster recovery test success was comforting, but wished to know if during the 'gap' between when the system is offline and online, whether there is a process of dealing with transactions during this downtime. The Internal Auditor stated she did not know the answer to this, but would build something into this by the end of March 2017.

A Member queried whether this fell under the remit of the planned ICT audit, to which the Internal Auditor stated they would be taking the findings of other audits in this work. The Internal Auditor stated that they try not to duplicate work with the External Audit and that they liaise regularly and share findings.

As there were no further questions the Chairman took the Committee to the recommendation set out in the report.

RESOLVED

That the report be received and noted.

7. AUDIT RESULTS REPORT 2015/16

Paul King, from Ernst and Young, presented the External Audit. He summarised that there were no significant findings and the report was relatively brief. He directed the Committee's attention to the executive summary on page ten of the report which laid out the results and conclusions on the significant areas of the audit process.

He advised Members that the audit was complete and it now only needed the Committee's approval of the Statement of Accounts for it to be issued before the audit deadline.

He brought Members' attention to page 13 of the report, which outlined an uncorrected misstatement, but advised Members that officers had decided that it wouldn't need to be adjusted in the Statement of Accounts.

A Member of the Committee wished to know how the figure of £218,290 was calculated. It was clarified by Hannah Lil, from Ernst and Young, that only 40% of the £218,290 actually impacts the Council's accounts, which is how the figure of £87,316 is reached.

A Member raised concern with there being discrepancies between the auditor's figures and officer and management figures. He also wished to know whether the auditors ever see areas in business improvement and efficiencies and whether they would notify the Council. He requested to know whether this is something the external auditors would consider in future.

Mr King told Members that the external auditors would let officers know in if there were any opportunities for streamlining the audit process. However, the external audit remit is narrower compared to previous years and they would not actively advise the Council on improvements to working practices.

He reminded Members that in previous years there was a wider audit which scored the Council on use of resources and there was a performance element to the audit. This is no longer the norm because central government did not believe it was worth the money and that local authorities should do this themselves. He clarified that recent audits had lower fees and subsequent fees are going down significantly as the remit of the audit narrowed.

The Chairman made Members aware that the previous year's audit had cost the Council approximately £57,000 and this year it was forecast to drop to approximately £50,000.

The Head of Corporate Resources, Peter Stuart stated that the misstatement within the accounts is above the triviality threshold, but it is not above the materiality threshold to change the Statement of Accounts. He stated that the main conclusion (of true and fair) of the Statement of Accounts would not change, and that the mistake had been noted. The figure of £87,316 would not change people's view of the accounts.

Members agreed that the cost of rectifying the error would not be worth the time in rectifying it, and because the error has been found and put on record this was acceptable. One Member sought reassurance that this would not happen again and it would be double-checked in future.

The Head of Corporate Resources stated that a relatively inexperienced and new member of staff had drawn up this figure and that processes would be put in place in future to double-check the accuracy the NNDR provision before being published.

A Member wished to express the Committee's gratitude for the work of all officers and external auditors involved in the report.

The Chairman wished to clarify when the audit in the New Year would be held.

Mr. King clarified that under new regulations audits have to be published by July 2017, therefore the amount of time they have to work on the audit has been shortened by two months. He assured Members that they would bring the work forward and would be in the final stage of the audit by July 2017.

In response to a Member asking whether this would impact the work of the Council, the Head of Corporate Resources told member that his team would have to operate faster, but that they had been preparing for this change in the deadline for a long time. The team would have to prioritise work and be taken off other tasks earlier, such as budget management, and put to work on the audit.

The Chairman once again expressed his gratitude to the entire team who had helped compile the Statement of Accounts.

As there were no further questions the Chairman took the Committee to the

recommendation set out in the report.

RESOLVED

That the report be received and noted.

8. FINANCIAL STATEMENTS 2015/16

Peter Stuart, the Head of Corporate Resources introduced the report and the attached Statement of Accounts. He summarised that the report was brief and there were no major issues Members should be concerned about.

A Member wished to have more information on the liquidity risks outlined on page 49. The Head of Service for Corporate Resources clarified that liquidity risks were not relevant to the Council as the risk of borrowing is fixed as the Council has fixed rate loans. The liquidity risks only apply to variable rate loans.

In response to a question from a Member asking whether software licenses were intangible assets, the Head of Service clarified that when the Council buys software it capitalises the first year's licence. The first purchase falls under capital and subsequent purchases as revenue.

A Member drew the Committee's attention to the NNDR Provision of Appeals outlined on page nine of the report and wished to know why there had been an increase in the appeal's provision.

The Head of Corporate Resources advised Members that the appeals provision stems from the introduction of the Business Rate Retention Scheme for Local Authorities; this has replaced the old scheme. Businesses have the ability to appeal their business rates. The Council appeals provision has increased as more businesses are appealing.

Hannah Lill, external auditor from Ernst and Young, stated that Councils are going to use a different approach to calculating business rates in future which will be more accurate.

Another Member wished to know why there had been a decrease in rental income as outlined on page 44 of the report.

Ms. Lill clarified that the definition of an investment property was reclassified so some properties were no longer classed as investment properties but Other Land and Property.

The Vice-Chairman wished to know why on page 48 the Council was now owed more money compared to the previous year. The Head of Service for Corporate Resources stated that a written response would be provided.

As there were no further questions the Chairman took Members to the recommendations.

RESOLVED

- (1) the Financial Statements be approved and the Chairman be authorised to add his signature on that document to the of the Head of Finance; and
- (2) the Letter of Management Representation, as amended, be approved and the Chairman be authorised to add his signature to that of the Head of Finance.

9. REVIEW OF TREASURY MANAGEMENT ACTIVITY 2015/16

Peter Stuart, Head of Corporate Resources briefly outlined the report and concluded that the markets had returned to normal. The report was clear and all loans have been made within policy.

A Member wished to clarify whether the Service Level Agreement had been re-signed to which the Head of Service responded that it hasn't been re-signed currently but it is going to be, as this is a beneficial partnership to the Council.

One Member pointed to page 34 and stated that the Net (Investments)/Debt at the bottom of the page should have the numbers in brackets. The Head of Service agreed with this and stated this would be rectified.

10. COMMITTEE WORK PROGRAMME 2016/2017

A Member suggested that as governance is in the Council Constitution, whether the Committee could look at the Annual Governance Statement before it is published.

The Head of Corporate Resources made Members aware that some local authorities do take the annual government statement separately.

Mr King, reiterated this and said it was common for Audit Committees to consider the annual government statement published beside the Statement of Accounts.

As there were no questions the Chairman took Members to the recommendation which was agreed.

RESOLVED

That the Committee Work Programme for 2016/17 be noted.

11. QUESTIONS PURSUANT TO COUNCIL PROCEDURE RULE 10.2 DUE NOTICE OF WHICH HAS BEEN GIVEN.

None.

Chairman.