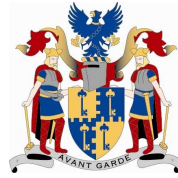


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GOVERNANCE & AUDIT COMMITTEE AGENDA

Membership:

Councillors Buckley, Hart, Kennedy, Mrs Smallcorn, Smith K, Tarrant and Wilson

Meeting: Governance & Audit Committee
Date: Wednesday 20 November 2013
Time: 5.00 pm
Venue: Hollybank Room, Public Service Plaza, Civic Centre Road,
Havant, Hants PO9 2AX

The business to be transacted is set out below:

Jo Barden-Hernandez
Service Manager – Legal & Democratic Services

12 November 2013

Contact Officer: *Tristan Fieldsend* 023 9244 9233
Email: tristan.fieldsend@havant.gov.uk

Page

Part 1 (Items open for public attendance)

1 Election of Chairman

2 Apologies

To receive and record apologies for absence.

3 Minutes

1 - 6

To approve the minutes of the Joint Governance Committee held on 16 September 2013.

4 Matters Arising

To consider any matters arising from the minutes of the last meeting.

5 Declarations of Interest

To receive any declarations of interest from members.

6 Chairman's Report

7 External Audit Papers

7 - 42

8 Code of Conduct Complaints

To receive a verbal update from the Service Manager (Legal and Democratic).

Part 2 (Confidential Items)

None

GENERAL INFORMATION

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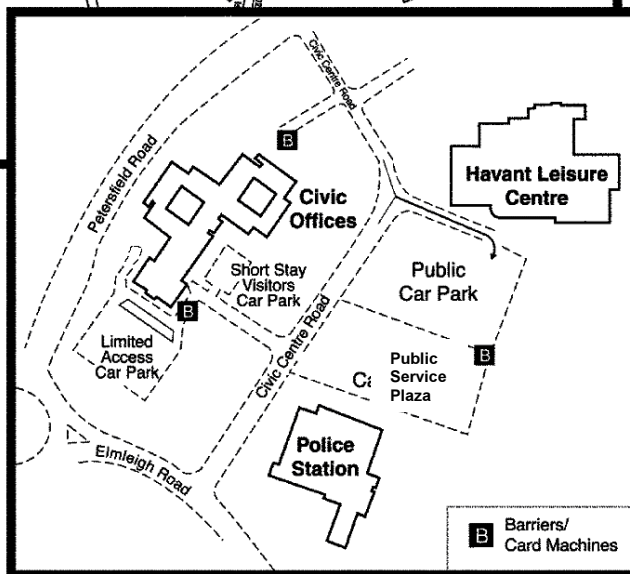
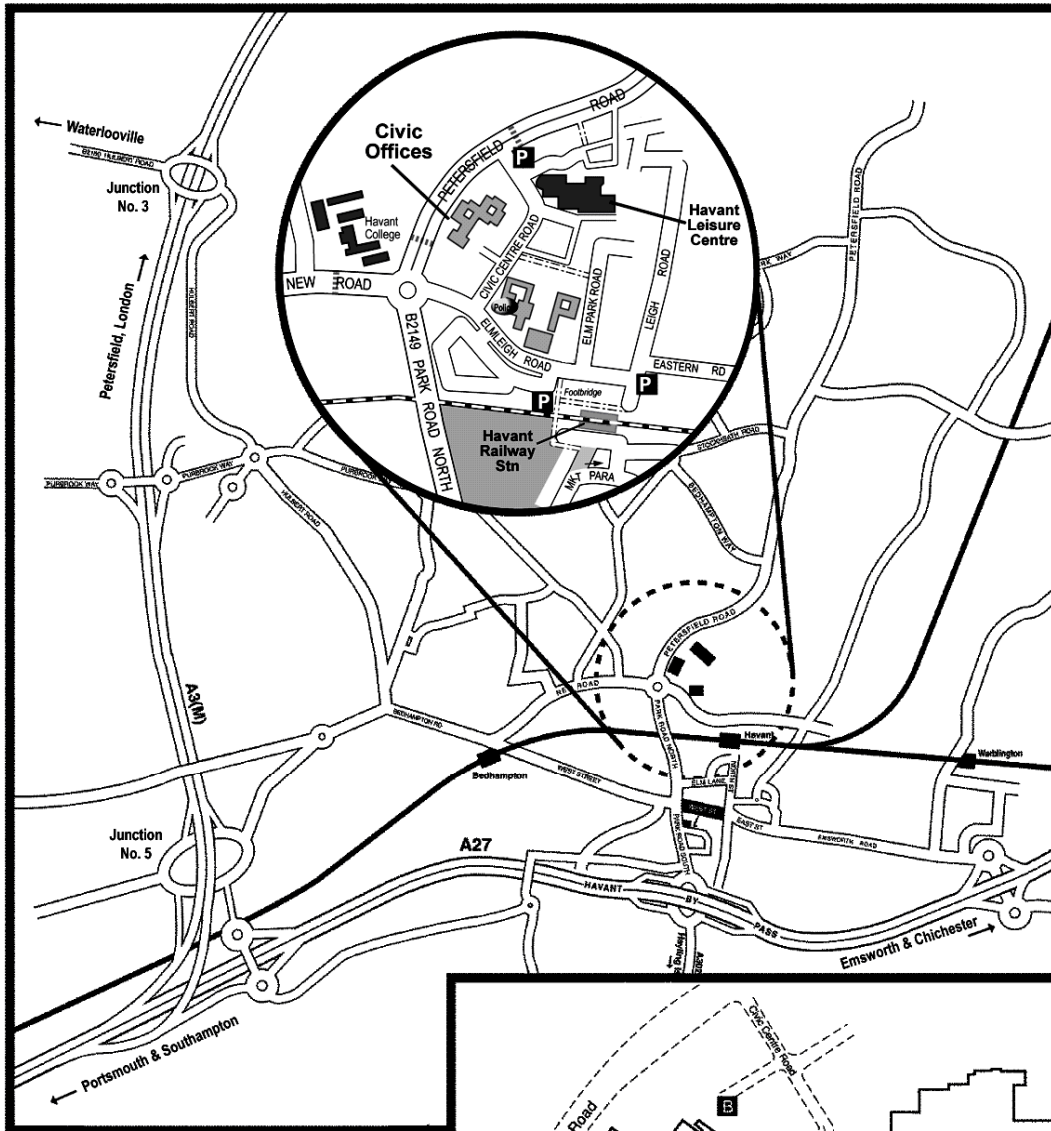
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EAST HAMPSHIRE DISTRICT COUNCIL

At a meeting of the Joint Governance Committee held on 16 September 2013.

Present:

Councillor K Smith (Chairman)

East Hampshire District Council: Councillors D Denston, L Evans and Z Faddy.

Havant Borough Council: Councillors P Buckley, T Hart.

Also Present: Councillors J Branson.

13. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors P Aiston, N Branch and M Johnson MBE, East Hampshire District Council and O Kennedy, M Smallcorn and C Tarrant, Havant Borough Council.

14. CHAIRMAN'S ANNOUNCEMENTS

The Chairman:

- (i) Pointed out the location of the fire exits;
- (ii) Asked that all present switch off their mobile phones; and
- (iii) Welcomed everyone to the meeting.

15. MINUTES

The minutes of the last meeting held on 29 May 2013 were confirmed as a correct record and signed.

16. MATTERS ARISING

None.

17. DECLARATIONS OF INTERESTS

There were no declarations.

HAVANT BOROUGH COUNCIL BUSINESS

18. STATEMENT OF ACCOUNTS 2012/13 AND EXTERNAL AUDIT PAPERS – HAVANT BOROUGH COUNCIL

The Committee considered the report, which had been previously circulated.

Helen Thompson, Director, Ernst & Young LLP presented the report. Rob Cottrell, Qualified Executive, Ernst & Young LLP was present to answer any questions.

Ms Thompson referred Councillors to Appendix two of the report which was HBC's Audit Results Report (ISA260) for the year ended 31 March 2013. No further issues had been highlighted other than those shown in the report under part one - overview of the financial statement audit. These financial risks were Accounts Payable and Payroll. She informed the Committee that she was happy to give an unqualified opinion.

She thanked Kevin Harlow and the Finance Team for all their hard work in completing the report. The letter of assurance had now been received there were no issues and there was no proposal to charge any additional fees.

Jane Eaton confirmed that in respect of the payroll risk, this is being addressed, with a specific payroll file replacing the current setup where payroll records were combined with HR records.

Kevin Harlow presented the remainder of the report and referred Councillors to Appendices three and four of the report. Appendix 3 was the letter to the External Auditors to be signed by the S 151 Officer. Appendix 4 was the HBC Statement of Accounts.

Following the discussion, it was RESOLVED that the:

- i. report be NOTED;
- ii. draft Letter of Representation be APPROVED;
- iii. Statement of Accounts for 2012/13, be APPROVED and that the Chairman and S151 Officer certify the approval of the Accounts by signing page 14 of the Accounts.

19. PUBLIC SECTOR INTERNAL AUDIT STANDARDS – INTERNAL AUDIT CHARTER

The Committee considered the report, which had been previously circulated.

Mr Antony Harvey of Partnership at Southern Internal Audit Partnership introduced the report.

He explained that from April 2013 all public sector bodies were required to adopt the Public Sector Internal Audit Standards (The Standards). This would give an element of continuity across the public sector. There were three component parts to the Charter, which could be found on page 10 of the agenda. He referred the Committee to the Internal Audit Charter at Appendix 1 of the report. This outlined the details of the Charter and he drew the Committees attention to page 14 of the agenda which contained the definitions of "The Board" and "Senior Management". "The Board" was the Governance & Audit Committee and "Senior Management" was the Joint Executive Board. He then referred the Committee to page 16 of the agenda where the responsibilities of "The Board" were set out.

Following the discussion, it was RESOLVED that the

- i. implications and actions necessary to meet compliance with the Public Sector Internal Audit Standards be NOTED; and

ii. Internal Audit Charter be APPROVED.

20. INTERNAL AUDIT ACTION PLAN 2013-14

The Committee considered the report, which had been previously circulated.

Mr Antony Harvey of Partnership at Southern Internal Audit Partnership introduced the report.

The Internal Audit Plan provided the mechanism through which the Chief Internal Auditor could ensure the most appropriate use of internal audit resources. The Internal Auditors had been given a fixed overall number of days and the appendices to the report showed the risks identified.

Concerns were expressed about the number of “High” priorities listed and how they would be dealt with. It was explained that the auditors would work with the Audit Sponsor and managers.

Jane Eaton explained that she was listed as the auditor sponsor a great number of times, as Governance and Logistics was a large portfolio. She reassured the Committee that she read every report in her role as the S 151 Officer.

Following the discussion, it was RESOLVED that the Audit Plan for 2013 – 2014 be APPROVED.

21. INTERNAL AUDIT PROGRESS REPORT (AUGUST 2013)

The Committee considered the report, which had been previously circulated.

Mr Antony Harvey of Partnership at Southern Internal Audit Partnership introduced the report.

He explained that the opinion definitions on page 31 of the agenda were different to those that the Council were used to. He referred Councillors to section two of the report on page 32 of the agenda which gave details of the status of live reports and previous recommendations.

Following the discussion, it was RESOLVED that the Internal Audit Progress Report (August 2013) be NOTED.

JOINT BUSINESS

22. TERMS OF REFERENCE

Mrs Barden-Hernandez informed the Committee that East Hampshire District Council had taken the decision in July to create a Governance & Audit Committee.

Following a review of the terms of reference by the new committee it was determined that East Hampshire District Council would withdraw from the Joint Governance Committee although it was agreed that the Governance & Audit Committee (EHDC)

would meet jointly with the equivalent Committee at Havant Borough Council as the need arose and in particularly in respect of partnership issues.

The Monitoring Officer would therefore be recommending to the Havant Borough Council that the Joint Governance Committee should be disbanded and a new Governance & Audit Committee for Havant be established.

Attention was drawn to a draft terms of reference for the Governance & Audit Committee. (a copy is attached as appendix 1 to the minutes.)

After viewing the draft terms of reference the Committee suggested that the membership of the new Governance & Audit Committee at Havant Borough Council be seven Councillors.

Following the discussion, it was RESOLVED that the

- i. update be NOTED;
- ii. Committee RECOMMEND to HBC that the Joint Governance Committee be disbanded; and
- iii. Committee RECOMMEND to HBC that a Governance & Audit Committee be established and adopt the terms of reference as amended to a membership of seven (7) Councillors.

23. ETHICAL STANDARDS

There was nothing to discuss under this item.

24. EHDC POSITION

There was nothing to discuss under this item.

25. COMPLAINTS UPDATE

Jo Barden-Hernandez, Monitoring Officer updated the Committee on complaints received and outcomes since June 2012.

Following the discussion, it was RESOLVED that the update be NOTED.

.....
Chairman

The meeting commenced at 5.30pm and concluded at 6.30pm

TERMS OF REFERENCE FOR GOVERNANCE AND AUDIT COMMITTEE

1. Membership

- 1.1 The Governance and Audit Committee shall consist of 7 councillors, one of whom shall be appointed annually by the Leader of the Council to be the Chairman.

2. Quorum

- 2.1 The committee shall be quorate where 3 councillors are present.

3. Work Programme

- 3.1 The Governance and Audit Committee shall act as the Audit Committee and will approve the Annual Statement of Accounts. It will also carry out the following:
- Monitor and review the Council's Governance arrangements, including the annual Governance Statement and Local Code of Governance;
 - Monitor the use (if any) of the Council's powers under the Regulation of Investigatory Powers Act 2000 (RIPA); and
 - To formally review the Council's RIPA policy.
- 3.2 The Governance and Audit Committee will promote ethical standards within the Council by:
- Promoting and maintaining high standards of conduct by councillors and co-opted members;
 - Advising the Council on the adoption or revision of the Councillor Code of Conduct;
 - Advising and training councillors and co-opted members on matters relating to ethical governance;
 - Receive reports from the Monitoring Officer on any matter relating to ethical standards within the Council; and
 - Granting dispensations to councillors from requirements relating to disclosable pecuniary interests as set out in the Code of Conduct and as stated in Section 33 of the Localism Act 2011.
- 3.3 The Governance and Audit Committee will receive and monitor reports from the Local Government Ombudsman and will receive an annual review of the Ombudsman complaints.
- 3.4 The Governance and Audit Committee will carry out a monitoring and advisory role for matters concerning changes to the Council's Constitution, upon receiving advice on proposed changes from the Monitoring Officer.

4. Agenda Items

- 4.1 The Chairman shall receive prospective agenda items and it will be for the Chairman to determine the reasonable timescale in which those items can be considered by the Committee.

5. Sub-Committee

- 5.1 A Governance Sub-Committee will be required from time to time to deal with complaints against councillors and any breaches of the adopted Code of Conduct. The Sub-Committee will consist of 3 Governance and Audit Committee members.

6. Partnership

- 6.1 The council works in partnership with a variety of public sector providers. East Hampshire District Council shares a management structure with the Council which may require joint governance arrangements from time to time. In the event of such need both Governance and Audit Committees will meet together for the purpose of agreeing such shared governance arrangements.

HAVANT BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

20 NOVEMBER 2013

EXTERNAL AUDIT PAPERS – HAVANT BOROUGH COUNCIL

Report by Corporate Accountancy Team Leader

FOR INFORMATION

Governance and Logistics Portfolio: Cllr J Branson

Key Decision: No

1.0 Purpose of Report

1.1 To outline the papers to be presented by Ernst & Young LLP.

2.0 Recommendation

2.1 We ask the Committee to note the content of the reports attached to this paper.

3.0 Summary

3.1 To fulfil our responsibilities as your external auditor we are required to present formally the papers attached to this report to those charged with governance.

4.0 Reports

4.1 Audit Progress Report 2012/13

This report sets out the work we have undertaken to date since our appointment as your auditor on 1 September 2012. The purpose of this report is to provide the Governance and Audit Committee with an overview of the stage we have reached in your 2012/13 audit, and an outline of our plans for the 2013/14 audit.

4.2 Annual Audit Letter 2012/13

This report summarises our preliminary audit conclusion in relation to Havant Borough Council's financial position and results for year ended 31 March 2013.

4.3 LG Sector Update

The purpose of this report is to summarise some of the current issues facing the Local Government sector and is for information only

5.0 Implications

- 5.1 Resources: No direct implications
- 5.2 Legal: No direct implications
- 5.3 Strategy: No direct implications
- 5.4 Risks: No direct implications
- 5.5 Communications: No direct implications
- 5.6 For the Community: No direct implications

6.0 Consultation:

Executive Head of Governance & Logistics
Corporate Accountancy Team Leader

6.1 Appendices:

Appendix A - 2012/13 Audit Progress Report
Appendix B - 2012/13 Annual Audit Letter
Appendix C - Sector Update

Agreed and signed off by:

Executive Head of Governance & Logistics: 6 November 2013

Contact Officer: Kevin Harlow
Job Title: Corporate Accountancy Team Leader
Telephone: 01730 234125
E-Mail: Kevin.harlow@easthants.gov.uk

Havant Borough Council

Governance and Audit Committee Progress Report

13 November 2013



Governance and Audit Committee
Havant Borough Council
Public Service Plaza
Civic Centre Road
Havant
PO9 2AX

20 November 2013

Audit Progress Report

We are pleased to attach our Audit Progress Report.

It sets out the work we have completed since our last report to the Committee. Its purpose is to provide the Committee with an overview of the 2012/13 audit, and an outline of our plans for the 2013/14 audit. This Progress Report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully



Helen Thompson
Director
For and behalf of Ernst & Young LLP

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Work completed: 2012/13

Financial Statements

On 20 September 2013 we issued an unqualified audit opinion on the Council's financial statements.

Value for money assessment

On 20 September 2013 we issued an unqualified value for money conclusion.

Whole of government accounts

On 20 September 2013 we reported to the National Audit Office the results of our work performed in relation the accuracy of the Council's consolidation schedules. We did not identify any areas of concern.

Annual Audit Letter

We are presenting our Annual Audit Letter to today's Committee meeting.

Grant claim certification

We certified your national non domestic rates claim before the deadline and we have started work on your housing benefit subsidy claim. The deadline for completion is 30 November 2013.

We will issue our annual report on the certification of claims and returns to the next Governance and Audit Committee. This will complete our work on the 2012/13 audit.

Audit Progress for 2012/13

Progress against key deliverables			
Key deliverable	Timetable in plan	Status	Comments
Fee Letter	December 2012	Completed	Reported to Joint Governance Committee March 2013
Audit Plan	March/April 2013	Completed	Presented at the May 2013 Joint Governance Committee
Reports to Those Charged with Governance	September 2013	Completed	Reported to Joint Governance Committee September 2013
Audit Reports (including opinion, vfm conclusion)	September 2013	Completed	Reported to Joint Governance Committee September 2013
Audit Certificates	September 2013	Completed	Reported to Joint Governance Committee September 2013
WGA submissions to NAO	September 2013	Completed	Reported to Joint Governance Committee September 2013
Annual Audit Letter	October 2013	Completed	Reported to Governance and Audit Committee November 2013
Report on the audit of Grant Claims	December 2013	To be issued by 31 December 2013	

2013/14 audit

Fee letter

We issued our 2013/14 fee letter to the Joint Governance Committee on 12 March 2013.

Financial Statements

We adopt a risk based approach to the audit and as part of our ongoing continuous planning we have held a number of meetings with key officers and other stakeholders:

- September 2013 – Executive Head of Governance and Logistics to discuss the EY engagement team, outline our audit approach and to develop our understanding of the challenges and risks you are facing.
- Ongoing discussion with key finance staff to discuss significant risks and emerging issues around the account preparation process.
- We continue to liaise with Internal Audit to ensure we can place reliance on their work where possible.

Our work to identify the Trust's material income and expenditure systems and to walk through these systems and controls is planned for February 2014. The detailed testing of the controls and critical path of each material system is planned for March 2014.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll, cash payments and receipts and journal entries.

Value for money

The Audit Commission has now issued its guidance on the 2013/14 value for money conclusion. The full guidance can be found at <http://www.audit-commission.gov.uk/technicaldirectory/vfm1314/>.

There are no planned changes to the approach in 2013/14, and we will carry out our initial risk assessment in December 2013 and report the risks we have identified and associated work we will carry out to the June 2014 Governance and Audit Committee meeting.

Timetable: 2013/14

Governance and Audit Committee Timeline

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2013/14 Audit Committee cycle.

We will provide formal reports to the Governance and Audit Committee throughout our audit process as outlined below.

Audit phase	Timetable	Deliverables
High level planning:	November	Audit Fee Letter
Risk assessment and setting of scope of audit	January - March	Audit Plan
Testing of routine processes and controls	March – April	Audit Plan
Year-end audit	July - September	<ul style="list-style-type: none"> ▶ Report to those charged with governance ▶ Audit report on the financial statements and value for money conclusion ▶ Audit Completion certificate ▶ Whole of government accounts
Reporting	October	Annual Audit Letter
Grant Claims	December	Annual certification report

In addition to the above formal reporting and deliverables we provided practical business insights and updates on regulatory matters through our Sector Briefings. The latest version of the Briefing is included as an attachment to this report.

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Havant Borough Council

Year ending 31 March 2013

Annual Audit Letter

October 2013



The Members
Havant Borough Council
Public Service Plaza
Civic Centre Road
Havant
Hampshire
PO9 2AX

24 October 2013

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of Havant Borough Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of Havant Borough Council in the following report:

2012/13 Audit results report for Havant
Borough Council

Issued 2 September 2013 and presented to
the Joint Governance Committee on 1
September 2013

The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of Havant Borough Council for their assistance during the course of our work.

Yours faithfully



Helen Thompson
For and behalf of Ernst & Young LLP
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The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan we issued on 25 March 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of the governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of Havant Borough Council for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland)	On 20 September we issued an unqualified audit opinion for the Authority.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 20 September 2013 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Joint Governance Committee) communicating significant findings resulting from our audit.	On 2 September we issued our report for the Authority.
Report to the National Audit Office on the accuracy of the consolidation pack the Authority is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 20 September 2013.
Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report.

Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.

No issues to report.

Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

On 20 September 2013 we issued our audit completion certificate.

Issue a report to those charged with governance of the Authority summarising the certification of grant claims and returns work that we have undertaken.

We will issue our annual certification report to those charged with governance in respect of the 2012/13 financial year in December 2013.

2. Key findings

2.1 Financial statement audit

We audited the Authority's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 20 September 2013.

Our audit did not identify any material misstatements, and only a small number of presentation and disclosure amendments were required to the financial statements. This demonstrates the robustness of the Authority's closedown and review process for producing the draft financial statements.

The main issues identified as part of our audit of your financial statements, including our conclusions in relation to the areas of risk/areas of audit emphasis outlined in our Audit Plan were:

No audit trail to support a variance between purchase order and invoice

The Authority's financial procedures require an order to be raised for all invoices received. Testing undertaken by Internal Audit highlighted that when an invoice is received where no purchase order exists the Authority retrospectively raises a corresponding order.

Whilst our testing did not identify any material misstatements due to inappropriate authorisation of transactions, the Authority should ensure there is an adequate audit trail to evidence variances between purchase orders and invoices.

No audit trail provided to support a contract variation

We support Internal Audit's findings on their review of the payroll system. Specifically we reviewed the impact of one failure where the Authority failed to retain a sufficient audit trail to support a variation to a contract for 2012/13.

In addition, when undertaking our walkthrough of the Authority's payroll system, a number of documents could not be provided to support three amendments that were made to the payroll masterfile.

Whilst our extended testing did not identify any material misstatements or inappropriate payments made, evidence to support changes to the payroll masterfile should be retained by the Authority.

2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2012/13 our conclusion was based on two criteria:

- ▶ the organisation has proper arrangements in place for securing financial resilience; and
- ▶ the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 20 September 2013.

Our audit did not identify any significant matters.

2.3 Objections received

We did not receive any objections to the Authority's 2012/13 financial statements from members of the public.

2.4 Whole of government accounts

On 20 September 2013 we reported to the National Audit Office the results of our work performed in relation the accuracy of the consolidation pack the Authority is required to prepare for the whole of government accounts.

We did not identify any areas of concern.

2.5 Annual governance statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance.

We completed this work and did not identify any areas of concern.

2.6 Certification of grants claims and returns

We will issue our annual certification report to those charged with governance for the work we carry out on grant claims and returns for the 2012/13 financial year in December 2013.

3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we communicate to those charged with governance at the Authority, as required, significant deficiencies in internal control.

We reported two issues in our audit results report. These are shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

Description	Impact
<p>When testing the Authority's periodic income it was noted that it had not been accounted for on an accruals basis.</p> <p>The 2012/13 income figures correctly include four receipts. However, one of these receipts related to quarter 1 of 2013/14 whilst quarter 1 of 2012/13 was incorrectly omitted.</p>	<p>Whilst this issue has no material impact on the financial statements, income is likely to be overstated due to the impact of inflation.</p> <p>The Authority should ensure that all income and expenditure is accounted for on an accruals basis.</p>
<p>The Prudential Code requires the Authority to calculate a Minimum Revenue Provision (MRP), which represents an internal financing charge on unfinanced capital purchases.</p> <p>A calculation of MRP based on the Prudential Code formulae was compared to the actual MRP calculated by the Authority. A difference, and possible over provision, of £251,000 in the Authority's expenditure balance was identified.</p>	<p>Whilst this issue has no material impact on the financial statements the Authority should investigate this difference for the 2013/14 financial statements audit.</p>
<p>The difference relates to assets purchased through internal borrowing since the introduction of the Prudential Code in 2004, and will be investigated in 2013/14.</p>	

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LG Sector update

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Spending review 2013

The Chancellor of the Exchequer announced the government spending plans for 2015-16 and cuts to individual departmental budgets to Parliament on 26 June 2013. This aligned with the announcement in the March 2013 budget that savings of £11.5bn were required.

The main points of the Spending Round are summarised below:

Overall

- ▶ The overall spending for the three years is confirmed as £745bn in 2015-16, £755bn in 2016-17 and £765bn in 2017-18.
- ▶ Savings from current spending of £11.5bn are required in the spending round for 2015-16, of which savings of £2.1bn are from core local government funding.
- ▶ Local authority core funding is reduced by 10 percent in 2015-16 in real terms.
- ▶ Transfer of £2bn from the NHS to local authorities for social care.

Council tax

- ▶ Further support to freeze council tax for 2014-15 and 2015-16, equivalent to one percent council tax increase for councils which freeze their council tax on the same lines as in 2013-14. Referendum limits of two percent in both 2014-15 and 2015-16 will be set.

Adult social care and health

- ▶ A £3.8bn pooled budget for health and social care services, shared between the NHS and local authorities, to deliver better outcomes and greater efficiencies through more integrated services. This includes £2bn a year through the NHS to join up local health and social care services.





Public service transformation

- ▶ £100mn investment into a council efficiency and transformation fund.
- ▶ A police innovation fund and provision of resources for the transformation of Fire and Rescue Services.
- ▶ Children's services and schools funding
- ▶ Schools funding and the pupil premium will be protected in real terms but the Education Services Grant, which pays for central services to schools, will be cut by 20 percent. This will be subject to a consultation in the autumn.

Troubled families

- ▶ A further £200mn will be invested into the Troubled Families programme to extend help to 400,000 families in 2015-16. In line with the existing programme, this will be subject to match funding from local authorities.

Local growth

- ▶ £2bn allocation to the creation of a Single Local Growth Fund, to be devolved to the Local Enterprise Partnerships (LEPs). The Fund is expected to be operational in April 2015 and sustained each year of the next Parliament. £700mn of this is to be funded from amounts previously allocated to local areas for transport or the New Homes Bonus

Fire and police

- ▶ Creation of an innovation fund of up to £50mn for police forces to work jointly with each other and with local authorities.
- ▶ A 7.5 percent reduction overall in Fire and Rescue authorities funding for 2015-16.
- ▶ Two specific fire and rescue authority funds were announced totaling £75mn, to be made through the local government settlement in order to encourage joint working.

The Local Government Association updated its Funding Outlook Report to incorporate the additional 10 percent real-terms cut to council funding for 2015-16. It estimates that the funding gap facing local government is widening by £2.1bn a year and will reach £14.4bn by 2020.

Infrastructure spending beyond 2015

Following the spending review announcement in June 2013, the Chief Secretary to the Treasury set out the next phase of the National Infrastructure Plan, and outlined the government's infrastructure investment priorities beyond 2015.

Key details highlighted:

- ▶ An increase in capital spending plans by £3bn a year, from 2015, equating to additional £18bn of investment over the next parliament
- ▶ Over £70bn of investment in transport
- ▶ Over £20bn in schools
- ▶ £10bn in science, housing and flood defences



Specific commitments include:

- ▶ Funding for HS2, a new nationwide rail network.
- ▶ Tripling the money spent on roads by 2020 to 2021 compared to 2013. This includes £6bn to help local authorities repair the local road network.
- ▶ Expanding Superfast Broadband provision so 95 percent of UK premises will have access to Superfast Broadband by 2017.

Action is being taken to provide the support needed to enable up to £100bn of private sector energy investment, including through the further roll-out and extension of the UK guarantees scheme.

A full update of the National Infrastructure Plan will be published at the time of the Autumn Statement 2013.

Local government pension scheme review

Local government minister Brandon Lewis has announced plans for a review of the Local Government Pension Scheme's investment regulations. The possibility of merging schemes is also to be examined.

The review will examine the rules, which set caps on the amount funds can invest in certain assets. In March, the minister confirmed that the limit covering infrastructure projects would be doubled to 30% of total assets.

The move comes as a new local government pension regulatory plan is being developed to take account of the reforms that the government has made to public sector schemes. This will come into effect in April 2014.

Economic outlook

The ITEM Club, one of the UK's foremost independent economic forecasting groups, sponsored by EY, announced in July 2013 that the UK recovery 'has finally got legs', with consumer spending and the housing market propping up GDP this year until the long awaited revival in exports and business investment kicks in next year.

According to the EY ITEM Club Summer Forecast, UK GDP will reach 1.1 percent this year, before accelerating to 2.2 percent in 2014 and 2.6 percent in 2015.

With consumer confidence returning and the Government's initiatives to stimulate the housing market bearing fruit, consumers are switching their attention back from saving to spending. From next year the consumer-led recovery will morph into much more balanced growth, as business investment and exports begin to rise more strongly.

The ITEM club had recently issued two special reports considering the impact of changes in the economic environment.



In May 2013, it published a report on inflation, identifying the following:

- ▶ **Outlook for inflation:** inflationary pressures will peak over the summer, and we will be unlikely to see inflation dip below 2.5 percent over the next four years.
- ▶ **Impacts on consumer spending:** ongoing relatively high inflation will continue to impact consumer spending, especially with unemployment unlikely to fall quickly. Average earnings growth will experience a pick-up from 2014, but is likely to take several years to return to more 'normal' rates of four percent or more.
- ▶ **Implications for monetary policy:** continuing high inflation could limit the Monetary Policy Committee's room for manoeuvre on interest rates, whilst also making it difficult to implement the Chancellor's proposal for more forward guidance.

In June 2013, the ITEM club published its report on consumer spending, identifying the following:

- ▶ **Consumer spending forecast in detail:** in 2012 consumer spending was still four percent below its 2008 peak. However, it is beginning to show signs of recovery and the momentum behind rising spending will build gradually over the next few years. This should see real consumer spending growth accelerating to just below five percent in 2014.
- ▶ **The pace of the recovery:** by 2015 it is expected that the level of spending will have returned to its pre-financial crisis peak, and then continue to grow faster than recent growth rates, although significantly slower than on previous trends.
- ▶ **Income and labour market factors:** although the strong rebound in real incomes seen in 2012 will not be sustained, and inflation is not expected to slow down from current rates, the generous increase in the income tax personal allowance will boost take-home pay over the next two years. These factors should mean that real incomes grow sufficiently to sustain the recovery in consumer spending.



Regulation news

Local audit and accountability bill

The Local Audit and Accountability Bill will put in place a new local audit and accountability framework for local public bodies in England. The Audit Commission currently appoints auditors to a range of local public bodies in England and sets out expected standards for auditors and oversees their work. It also compares data across the public sector to identify where services could be open to abuse and help organisations fight fraud. Under the bill, the scope of the audit will remain very similar to the current audit, and auditors will continue to be required to comply with a code of practice and have regard to guidance. In the new framework, these will be developed by the Comptroller and Auditor General of the National Audit Office.

The Bill continues with the auditor's role in bringing any appropriate concerns to the attention of the public through public interest reports which the body will be required to publish, along with their response. The Bill protects the rights of taxpayers to inspect the accounts of local bodies and raise any questions and objections with the independent auditor.

The Bill sets out a new framework which requires local bodies to appoint their own auditors. Local public bodies will have to appoint their own auditor at least once every five years. They will need to consult and take into account the advice of an independent

auditor panel. They will be required to publish information about the appointment of an auditor within 28 days of making the appointment.

Final amendments were made to the Bill during the third reading on 24 July. The Bill now goes to the House of Commons for its consideration.

OFSTED: consults on a single inspection framework for local authority children's social care services

In June 2013 OFSTED launched a consultation proposing a single framework for inspecting local authority child protection and services for looked after children, including those leaving or who have left care.

This replaces previous plans to implement separate inspections for child protection and services for children looked after. It proposes an evaluation of help, protection and care for children including the arrangements for local authority fostering and adoption services



Local government claims and returns 2011-12 certification report

In June 2013, the Audit Commission published its report on certification of local government 2011-12 claims and returns.

The 1,230 claims and returns reviewed, totaling £50.7bn, saw a fall in the value of amendments and number of qualification letters, due largely to fewer claims and returns requiring certification but the proportion of claims and returns that required amending or to be qualified rose.

Key messages from the report were:

- ▶ Amendments totaled £36.9mn, comprising increases in value of £13.6mn and decreases of £23.3mn.
- ▶ 355 qualification letters were issued on 29 percent of all claims and returns.
- ▶ 78 percent of housing and council tax subsidy claims received qualification letters.
- ▶ Many authorities could improve working papers and the supervision and review of claims and returns, to help reduce the number of errors and issues requiring attention.

Value for Money Profiles: council tax collection

In June 2013, the Audit Commission issued a briefing on council tax collection using data drawn from its Value for Money (VFM) profiles, to demonstrate their practical application and benefits.

The VFM Profiles are an online tool made available to anyone who has an interest in local public services including service users and residents. It enables comparison between councils by bringing together data about the costs, performance and activity of local councils and fire authorities, specifically to see:

- ▶ How an organisation is spending its resources, and how well services perform
- ▶ How the costs and performance of an organisation compare to others
- ▶ The latest planned budgets for councils
- ▶ Outlier reporting

This council tax briefing provides a national perspective on data for two specific indicators in relation to council tax. Key data identified:

- ▶ Council tax makes up more than £22bn of English council's income
- ▶ Councils spend £300mn (net) collecting council tax
- ▶ £605mn, of 2011-12 council tax due, remained uncollected by March 2012
- ▶ The total council tax arrears at 31 March 2012 was £2.355bn



Working together across the public sector

Funding transfer from NHS England to social care: 2013-14

In June 2013 NHS England announced that it will transfer £859mn to local authorities to allow them to support adult social care in 2013-14. The transfer of funding will be administered by NHS England's own area teams and not clinical commissioning groups (CCGs).

The funding must be used to support adult social care services in each local authority, which also has a health benefit. Health and wellbeing boards will be the forum for discussions between the NHS England area teams, CCGs and local authorities on how the funding should be spent and the outcomes expected from this investment.

Whole place community budgets

Following the Community Budget pilots, which tested 'whole-place' pooled spending on particular local services, the Secretary of State for Communities and Local Government announced that the Government is to support 18 selected councils across nine areas to develop pooled spending.

To aid the process, a 'multi-agency network' made up of experts from the public and private sectors will be set up to develop plans for a rolling programme, using lessons learnt from the four pilots. Councils are encouraged to submit expressions of interest to join the network.

In our April 2013 briefing, we provided details of the independent analysis from EY, which showed that more than £4bn of public money could be saved every year by radically shaking up the way public services are provided and paid for in England; cutting unnecessary waste, duplication and red tape. A year-long pilot of community budgets modelled to a national level by EY, shows that devolving more decisions to local areas would provide better services and save between £9.4bn and £20.6bn over five years across local and central government.

Neighbourhood-level Community Budgets: 'Our Place'

Following the success of the 12 Neighbourhood Community Budget Pilots, the Secretary of State for Communities and Local Government announced financial support of £4.3mn intended to enable at least 100 neighbourhoods to design and deliver local services that focus on local priorities and reduce costs.

The pilots ranged from inner cities and suburbs, to housing estates and small towns. They brought together local government, service providers, the voluntary sector, and business to help young people get work, support 'just coping' families, reduce anti-social behaviour and find new ways to give people with long term health conditions a better quality of life.

The expansion of the Our Place programme will also set up a network of champions drawn widely from the pilots and from all sectors, to provide support and advice.



Accounting, auditing and governance

National Fraud Initiative moving to Cabinet Office

The National Fraud Initiative (NFI) will be retained and transferred to the Cabinet Office when the Audit Commission closes in 2015. The National Fraud Initiative matches data from 1,300 public sector and 77 private sector organisations, including audit bodies in Scotland, Wales and Northern Ireland, government departments and other agencies. It flags up inconsistencies in the information that indicate that a fraud, an error or an overpayment may have taken place; signalling the need for review and potential investigation. The Audit Commission has reported that the outcomes from the most recent exercise in England include:

- ▶ The prevention and detection of £103mn pension overpayments
- ▶ £79mn council tax single person discounts incorrectly awarded
- ▶ £42mn housing benefit overpayments
- ▶ 164 employees identified as having no right to work in the UK
- ▶ 321 false applications removed from housing waiting lists
- ▶ 1,031 prosecutions, 921 of them for housing benefit fraud
- ▶ 32,633 blue badges and 52,635 concessionary travel passes cancelled

HRA Indebtedness

- ▶ The DCLG in May 2013 issued the **Limits on Indebtedness Determination 2012: Amending Determination 2013**. This requires a reduction in the HRA CFR where HRA non-RTB receipts after April 1 2013 are used to fund general fund capital expenditure, unless this is regeneration or affordable housing expenditure. Reduction in the HRA CFR would transfer the relevant part of HRA debt to the general fund, giving the latter increased interest and repayment costs.
- ▶ Under the same amending determination HRA 'Interest on notional cash balance' definition is now defined as:
- ▶ 'Interest on notional cash balance means the interest credited to the Housing Revenue Account on notional credit balances attributed to the Housing Revenue Account, the Housing Repairs Account, unapplied housing capital receipts and the Major Repairs Reserve.'



Find out more

To find out more on the articles above, please follow the links below:

Spending review 2013

The full LGA report, Future funding outlook for councils from 2010-11 to 2019-10, can be accessed here: http://www.local.gov.uk/c/document_library/get_file?uuid=337ed9e8-0f20-4ff0-8f62-c4989f00978a&groupId=10171

CIPFA's response to the review is detailed here: <http://www.cipfa.org/services/advisory-and-transformation/cipfa-responds-to-spending-review>

CIPFA's [Cross Sectoral Budgeting Issues](#) has been updated to include a review of the Budget 2013 and Spending Review and its impact upon how the public sector considers its approach to budgeting. In addition, initiatives to encourage public bodies into working together are discussed including Pooled budgets, PFI, PPP and Community Budgets.

Infrastructure spending beyond 2015

The policy paper is available here: <https://www.gov.uk/government/publications/investing-in-britains-future>

The Chairman of the Local Government Association Sir Merrick Cockell's response to the Treasury's announcement on infrastructure spending announcement is found at: http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10171/4046622/NEWS-TEMPLATE

Local government pension scheme review

Details about the LGPS reform: http://www.doeni.gov.uk/index/local_government/local_government_pension_scheme_2014.htm

Economic Outlook

The full report is accessible at: [www.ey.com/Publication/vwLUAssets/ITEM_Club_UK_Summer_Forecast_2013_full/\\$FILE/EY%20ITEM%20Club%20Full%20report.pdf](http://www.ey.com/Publication/vwLUAssets/ITEM_Club_UK_Summer_Forecast_2013_full/$FILE/EY%20ITEM%20Club%20Full%20report.pdf)

The reports on inflation and consumer spending are available at: <http://www.ey.com/UK/en/Issues/Business-environment/Financial-markets-and-economy/Economic-Outlook---Reports>

Local audit and accountability bill

Further information can be found in the DCLG publication 'Audit and Accountability Bill A Plain English Guide': https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/198057/Local_Audit_and_Accountability_Bill_-_plain_English_guide.pdf

Progress of the bill can be tracked at: <http://services.parliament.uk/bills/2013-14/localauditandaccountability.html>



OFSTED: consults on a single inspection framework for local authority children's social care services

The consultation closed on 12 July 2013.

For more information, see:

<http://www.ofsted.gov.uk/resources/inspection-of-services-for-children-need-of-help-and-protection-children-looked-after-and-care-leave>

Local government claims and returns 2011-12 certification report

The full report can be found at:

[Local government claims and returns: The Audit Commission's report on certification work 2011/12 \(PDF document\)](#)

Value for Money Profiles: Council Tax Collection

The full report is available here: [Council tax collection – Using data from the Value for Money Profiles, June 2013 \(PDF document\)](#)

Link to VFM profile tool: [Value for Money Profiles](#).

Funding transfer from NHS England to social care: 2013-14

An annex to the announcement letter provides details of funding by local authority and NHS England area team:

<http://www.england.nhs.uk/wp-content/uploads/2013/07/annex-a-la-funding-split-at.pdf>

Whole place community budgets

Further details and a full list of authorities selected are available here:

<http://www.publicfinance.co.uk/news/2013/07/18-councils-selected-for-next-stage-community-budgets/>

Read more about the pilots at:

http://www.local.gov.uk/c/document_library/get_file?uuid=3e06dd05-6204-4ae8-9b41-81f516cb9a5b&groupId=10171



Neighbourhood-level Community Budgets: 'Our Place'

The DCLG press release on the announcement of the Our Place programme expansion:

<https://www.gov.uk/government/news/43-million-boost-to-put-communities-in-control>

The Our Place! summary report published by the DCLG highlighting the work of the 12 pilots is available here:

<http://mycommunityrights.org.uk/wp-content/uploads/2013/06/Our-Place-and-what-the-pilot-areas-achieved.pdf>

National Fraud Initiative has future moving to Cabinet Office

To find out more, go to:

<http://www.audit-commission.gov.uk/2013/07/audit-commissions-national-fraud-initiative-has-future-fighting-fraud-under-cabinet-office/>

HRA Indebtedness

The final five determinations for implementing self-financing for council housing can be found at:

<https://www.gov.uk/government/publications/the-housing-revenue-account-self-financing-determinations--2>

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