

Governance Committee

Monday, 12th December,
2016 at 5.00 pm

PLEASE NOTE TIME OF MEETING

Conference Room 3 - Civic Centre

This meeting is open to the public

Members of the Committee

Councillor Barnes-Andrews (Chair)
Councillor Inglis
Councillor Jordan
Councillor Noon
Councillor O'Neill
Councillor Parnell
Councillor Keogh (Vice-Chair)

Contacts

Service Director, Legal and Governance
Richard Ivory
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Senior Democratic Support Officer
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PUBLIC INFORMATION

Role of the Governance Committee

Information regarding the role of the Committee's is contained in Part 2 (Articles) of the Council's Constitution.

[02 Part 2 - Articles](#)

It includes at least one Councillor from each of the political groups represented on the Council, and at least one independent person, without voting rights, who is not a Councillor or an Officer of the Council.

Access – Access is available for disabled people. Please contact the Democratic Support Officer who will help to make any necessary arrangements.

Public Representations

At the discretion of the Chair, members of the public may address the meeting on any report included on the agenda in which they have a relevant interest. Any member of the public wishing to address the meeting should advise the Democratic Support Officer (DSO) whose contact details are on the front sheet of the agenda

Southampton City Council's Priorities:

- .Jobs for local people
- Prevention and early intervention
- Protecting vulnerable people
- Affordable housing
- Services for all
- City pride
- A sustainable Council

Smoking policy – The Council operates a no-smoking policy in all civic buildings.

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Any person or organisation filming, recording or broadcasting any meeting of the Council is responsible for any claims or other liability resulting from them doing so.

Details of the Council's Guidance on the recording of meetings is available on the Council's website.

Fire Procedure – in the event of a fire or other emergency a continuous alarm will sound and you will be advised by Council officers what action to take.

Dates of Meetings: Municipal Year 2016/17

2016	2017
6 June	13 February
25 July	24 April
14 November	
12 December	

CONDUCT OF MEETING

Terms of Reference

The terms of reference of the Governance Committee are contained in Part 3 of the Council's Constitution.

[03 - Part 3 - Responsibility for Functions](#)

Rules of Procedure

The meeting is governed by the Council Procedure Rules as set out in Part 4 of the Constitution.

Business to be discussed

Only those items listed on the attached agenda may be considered at this meeting.

Quorum

The minimum number of appointed Members required to be in attendance to hold the meeting is 3.

DISCLOSURE OF INTERESTS

Members are required to disclose, in accordance with the Members' Code of Conduct, **both** the existence **and** nature of any "Disclosable Pecuniary Interest" or "Other Interest" they may have in relation to matters for consideration on this Agenda.

DISCLOSABLE PECUNIARY INTERESTS

A Member must regard himself or herself as having a Disclosable Pecuniary Interest in any matter that they or their spouse, partner, a person they are living with as husband or wife, or a person with whom they are living as if they were a civil partner in relation to:

- (i) Any employment, office, trade, profession or vocation carried on for profit or gain.
- (ii) Sponsorship:

Any payment or provision of any other financial benefit (other than from Southampton City Council) made or provided within the relevant period in respect of any expense incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

(iii) Any contract which is made between you / your spouse etc (or a body in which the you / your spouse etc has a beneficial interest) and Southampton City Council under which goods or services are to be provided or works are to be executed, and which has not been fully discharged.

(iv) Any beneficial interest in land which is within the area of Southampton.

(v) Any license (held alone or jointly with others) to occupy land in the area of Southampton for a month or longer.

(vi) Any tenancy where (to your knowledge) the landlord is Southampton City Council and the tenant is a body in which you / your spouse etc has a beneficial interests.

(vii) Any beneficial interest in securities of a body where that body (to your knowledge) has a place of business or land in the area of Southampton, and either:

- a) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body, or
- b) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you / your spouse etc has a beneficial interest that exceeds one hundredth of the total issued share capital of that class.

Other Interests

A Member must regard himself or herself as having an, 'Other Interest' in any membership of, or occupation of a position of general control or management in:

Any body to which they have been appointed or nominated by Southampton City Council

Any public authority or body exercising functions of a public nature

Any body directed to charitable purposes

Any body whose principal purpose includes the influence of public opinion or policy

Principles of Decision Making

All decisions of the Council will be made in accordance with the following principles:-

- proportionality (i.e. the action must be proportionate to the desired outcome);
- due consultation and the taking of professional advice from officers;
- respect for human rights;
- a presumption in favour of openness, accountability and transparency;
- setting out what options have been considered;
- setting out reasons for the decision; and
- clarity of aims and desired outcomes.

In exercising discretion, the decision maker must:

- understand the law that regulates the decision making power and gives effect to it. The decision-maker must direct itself properly in law;
- take into account all relevant matters (those matters which the law requires the authority as a matter of legal obligation to take into account);
- leave out of account irrelevant considerations;
- act for a proper purpose, exercising its powers for the public good;
- not reach a decision which no authority acting reasonably could reach, (also known as the "rationality" or "taking leave of your senses" principle);
- comply with the rule that local government finance is to be conducted on an annual basis. Save to the extent authorised by Parliament, 'live now, pay later' and forward funding are unlawful; and
- act with procedural propriety in accordance with the rules of fairness.

AGENDA

1 APOLOGIES

To receive any apologies.

2 DISCLOSURE OF PERSONAL AND PECUNIARY INTERESTS

In accordance with the Localism Act 2011, and the Council's Code of Conduct, Members to disclose any personal or pecuniary interests in any matter included on the agenda for this meeting.

NOTE: Members are reminded that, where applicable, they must complete the appropriate form recording details of any such interests and hand it to the Democratic Support Officer.

3 STATEMENT FROM THE CHAIR

4 MINUTES OF PREVIOUS MEETING (INCLUDING MATTERS ARISING)

(Pages 1 - 4)

To approve and sign as a correct record the Minutes of the meeting held on 14th November 2016 and to deal with any matters arising, attached.

5 CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2015-16

(Pages 5 - 14)

Report of the Chief Internal Auditor summarising the results of the external auditors work on Southampton City Council's 2015-16 grant claims, attached.

6 EXTERNAL AUDIT PROGRESS REPORT (Pages 15 - 26)

Report of the Chief Internal Auditor updating the Committee on the external audit progress, attached.

Friday, 2 December 2016

Service Director, Legal and Governance

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GOVERNANCE COMMITTEE

MINUTES OF THE MEETING HELD ON 14 NOVEMBER 2016

Present: Councillors Barnes-Andrews (Chair), Baillie, Inglis, Jordan, Noon, O'Neill and Keogh (Vice-Chair)

Apologies: Councillor Parnell

13. **APOLOGIES**

It was noted that following receipt of the resignation of Councillor Parnell from the Committee, the Service Director; Legal and Governance, acting under delegated powers, had appointed Councillor Baillie to replace him for the purposes of this meeting.

14. **MINUTES OF PREVIOUS MEETING (INCLUDING MATTERS ARISING)**

RESOLVED: that the minutes of the Committee meeting on 25th July 2016 be approved and signed as a correct record.

15. **ANNUAL REPORT ON THE MEMBERS CODE OF CONDUCT**

The Committee received and noted the report of the Service Director; Legal and Governance detailing the 2015/16 Annual Report on the Members' Code of Conduct and the impact of the new code, a summary of the complaints received and action taken.

16. **REVISION TO THE CONSTITUTION - QUESTIONS AT COUNCIL**

The Committee considered the report of the Leader of the Council seeking a review of the consistently high number of formally tabled Questions at Council and significant reduction in officer resources to administer and answer them and proposed options on streamlining/reducing the process.

RESOLVED

- (i) That the following proposals be recommended to Council for adoption:-
 - a) That no minor issues be raised unless they have first been addressed to the appropriate officer, followed by the relevant Cabinet Member if the response was unsatisfactory and then only to Full Council if the Cabinet Member's response remains unsatisfactory, notwithstanding that if a question relates to a major project or significant policy concern then a question to Full Council directly was appropriate;
 - b) That the deadline for submission of questions to Full Council be extended by 5 working days earlier than the current submission deadline; and

- c) That an annual review of the revised process be undertaken with the exploration of other options with Group Leaders for streamlining the process including moving questions to the end of the agenda.
- (ii) That Council be recommended to revise the Council procedure Rules (paragraph 11) in the Constitution as appropriate.

17. **REVISION TO THE CONSTITUTION - PARTNERSHIPS CODE**

The Committee considered the report of the Service Director; Legal and Governance detailing a revised Partnership Code which formed part of the Council's Constitution which had not been reviewed in a number of years and was required to ensure it remained fit for purpose.

RESOLVED: that the revised Partnership Code as detailed in Appendix A of the report be recommended to Council for adoption.

18. **SOUTHAMPTON CITY COUNCIL COMPLAINTS REPORT 2015/16**

The Committee considered the report of the Service Director Legal and Governance providing a summary of the 2015/16 Southampton City Council Complaints received in 2015/16. The Committee noted that the report only provided information for those complaints which went beyond Stage 1 of the Complaints Process which were dealt with by Service Leads and indicated that it would be beneficial for this report to also provide an overview of Stage 1 complaints, if possible.

RESOLVED

- (i) That the summary of the 2015/16 Southampton City Council Complaints be noted; and
- (ii) That the Chair meet with the Customer Relations Manager to progress how a summary of Stage 1 Complaints could be incorporated into the 2016/17 report.

19. **TREASURY MANAGEMENT STRATEGY AND REVIEW OF PRUDENTIAL LIMITS MID YEAR REPORT 2016/17**

The Committee considered the report of the Service Director; Finance and Commercialisation providing an update on the Treasury Management activities and performance for 2016/17 against the approved Prudential Indicators for External Debt and Treasury Management.

RESOLVED

- (i) That the current and forecasted position with regards to these indicators be noted;
- (ii) That the continued proactive approach to Treasury Management had led to reductions in borrowing costs and safeguarded investment income during the year be noted; and

- (iii) That the increase in the investment limits for both unspecified investments and for counterparties as detailed in paragraph 30 of the report be endorsed.

20. **LOCAL APPOINTMENT OF EXTERNAL AUDITORS**

The Committee considered the report of the Service Director; Finance and Commercialisation detailing proposals for appointing the external auditor to the Council for the 2018/19 accounts and beyond.

RESOLVED that Council be recommended to accept Public Sector Audit Appointments (PSAA) invitation to “opt in” to the sector led option for the appointment of external auditors.

21. **ANNUAL GOVERNANCE STATEMENT 2015-16 : STATUS REPORT**

The Committee received and noted the report of the Service Director; Finance and Commercialisation detailing the status of planned actions to address the governance issues identified in the 2015-16 Annual Governance Statement.

22. **INTERNAL AUDIT - PROGRESS REPORT**

The Committee received and noted the report detailing the Internal Audit Progress report to the period October 2016.

23. **EXTERNAL AUDIT - ANNUAL AUDIT LETTER 2015/16**

The Committee received and noted the report detailing the Annual Audit Letter 2015/16 which communicated the key issues arising from the work of the external auditor to Members and external stakeholders including members of the public.

24. **PARIS SYSTEM UPDATE**

The Committee received a presentation detailing the PARIS and Agresso Interface as of November 2016 following identification within audit processes of a number of concerns. It was noted that Paul Juan, Acting Service Director; Adults, Housing and Communities had been identified as the Council Management Team Lead for this area of work and that a number of Service Level Agreements were being put into place and a cost benefit analysis of PARIS was being undertaken which would provide feedback in December 2016.

The Committee noted that significant work had taken place in reviewing the issues within the PARIS and Agresso interface and a number of recommendations were in place to resolve these in the short term and as part of the longer term digital

transformation key solution elements had been identified which would be in place by January 2017.

The Committee also noted that the recommendations short term and the longer term key solution elements would resolve the problems raised from an audit perspective, however given the current financial year position there would still be identifiable risks for the remainder of the financial year which would be resolved in 2017/18.

Agenda Item 5

DECISION-MAKER:	GOVERNANCE COMMITTEE		
SUBJECT:	CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT 2015-16		
DATE OF DECISION:	12 DECEMBER 2016		
REPORT OF:	CHIEF INTERNAL AUDITOR		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Neil Pitman	Tel: 01962 845139
	E-mail:	Neil.pitman@southampton.gov.uk	
Director	Name:	Mel Creighton	Tel: 023 803 4897
	E-mail:	Mel.creighton@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY	
NOT APPLICABLE	
BRIEF SUMMARY	
<p>The purpose of this paper is to provide the Governance Committee with the outcomes of the external auditor's Certification of Claims and Returns – Annual Report 2015/16.</p> <p>Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments.</p> <p>Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims and returns in respect of the 2015-16 financial year.</p>	
RECOMMENDATIONS:	
	(i) to note the External Auditor's annual report on the Certification of Claims and Returns 2015/16 as attached (Appendix 1).
REASONS FOR REPORT RECOMMENDATIONS	
1.	The Governance Committee's Terms of Reference require it to be satisfied and provide assurance that appropriate action is being taken on risk and internal control related issues identified by the external auditors. Specifically the Committee has responsibility for oversight of the reports of external audit.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
2.	None
DETAIL (Including consultation carried out)	
3.	The following external audit report is attached for consideration in Appendix 1: Certification of Claims and Returns – Annual Report 2015/16 The external auditor will be in attendance at the Committee meeting to answer any questions. The report, as attached at Appendix 1, has been discussed and agreed with appropriate officers.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	

4.	None
Property/Other	
5.	None
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
6.	Section 28 of the Audit Commission Act 1998.
7.	Account & Audit Regulation (England) 2016.
<u>Other Legal Implications:</u>	
8.	None
POLICY FRAMEWORK IMPLICATIONS	
9.	None

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	
<u>SUPPORTING DOCUMENTATION</u>	
Appendices	
1.	Certification of Claims and Returns Annual Report 2015-16
Documents In Members' Rooms	
1.	None
Equality Impact Assessment	
Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
Privacy Impact Assessment	
Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No
Other Background Documents	
Equality Impact Assessment and Other Background documents available for inspection at:	
Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
1.	None

Certification of claims and returns annual report 2015-16

Southampton City Council

November 2016

Ernst & Young LLP



Building a better
working world

The Members
Southampton City Council
Civic Centre
Southampton
SO14 7LY

30 November 2016
Ref: HB1

Direct line: 07974 007332
Email: HThompson2@uk.ey.com

Dear Members

Certification of claims and returns annual report 2015-16

We are pleased to report on our certification work. This report summarises the results of our work on Southampton City Council's 2015-16 claims and returns.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

Public Sector Audit Appointments made arrangements for certifying claims and returns in respect of the 2015-16 financial year. These arrangements required only the certification of the housing benefits subsidy claim. In certifying this claim we followed a methodology determined by the Department for Work and Pensions and did not undertake a full audit of the claim.

Statement of responsibilities

The 'Statement of responsibilities of grant-paying bodies, authorities, Public Sector Audit Appointments and appointed auditors in relation to claims and returns', issued by Public Sector Audit Appointments, serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the Council. As appointed auditor we take no responsibility to any third party.

Summary

We checked and certified the housing benefits subsidy claim with a total value of £113,837,324. We met the deadline for this work.

Fees for certification work are summarised in section 2. The scale fees for 2015-16 are available on Public Sector Audit Appointments Ltd (PSAA's) website (www.psaa.co.uk)

We welcome the opportunity to discuss the contents of this report with you at the 12 December 2016 Governance Committee.



Yours faithfully

Helen Thompson
Executive Director
For and on behalf of Ernst & Young LLP
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£113,837,623
Amended/Not amended	Amended – minor amendment made to the claim to adjust for an error identified. This reduced the amount of subsidy paid by £299.
Qualification letter	No
Fee – 2015-16	£19,524
Fee – 2014-15	£25,340

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid. The DWP require appropriately qualified auditors to certify housing benefit subsidy claims, and determine the methodology auditors follow when certifying them.

Our certification guidance stipulates the level of initial testing auditors are required to perform and requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim.

We then either report the extrapolated value of detected errors in a qualification letter or, if appropriate, agree an amendment to the claim with the Council.

We have highlighted any errors detected during our work and the responses below:

- From an initial sample of six non HRA Rent Rebates cases we identified one error (total value £299) whereby expenditure had been misclassified between cells on the claim form. This has no impact on benefit paid to the claimant. Testing of all other similar cases identified no further errors of this type. To correct this error, an amendment of £299 was agreed to the claim form which reduced the total subsidy claimed by the Council from the DWP.
- From an initial sample of 20 Rent Allowances cases we identified one error where benefit had been underpaid by £117 as a result of a rental figure not being correctly updated. This was caused by a specific housing association not using updated claim reference numbers when informing the Council of rent increases in 2015-16. Extended testing was performed to all benefits claims with notified changes in rent from that housing association in 2015-16. Amendments have been made to individual claims in 2016-17, ensuring that the benefit paid to claimants has been corrected. A total amendment of £753 was made to correct the 2015-16 claim form for all overpayments detected. Due to the mechanics of the claim form, this had no impact on total subsidy claimed by the Council from the DWP.

2. 2015-16 certification fees

Public Sector Audit Appointments (PSAA) determine a scale fee each year for the audit of claims and returns. For 2015-16, these scale fees were published by the PSAA in April 2015 and are now available on the PSAA's website (www.psa.co.uk).

Claim or return	2014-15	2015-16	2015-16
	Actual fee £	Indicative fee £	Actual fee £
Total Housing benefits subsidy claim	25,340	19,524	19,524

3. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2016-17 is £19,005. This was prescribed by PSAA in March 2016, based on no changes to the work programme for 2016-17.

Details of individual indicative fees are available at the following web address:
<http://www.psaa.co.uk/audit-and-certification-fees/201617-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We would discuss the matter with the Service Director - Finance & Commercialisation before seeking any such variation.

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DECISION-MAKER:	GOVERNANCE COMMITTEE		
SUBJECT:	EXTERNAL AUDIT – PROGRESS REPORT		
DATE OF DECISION:	12 DECEMBER 2016		
REPORT OF:	CHIEF FINANCIAL OFFICER		
<u>CONTACT DETAILS</u>			
AUTHOR:	Name:	Neil Pitman	Tel: 0162 845139
	E-mail:	Neil.pitman@southampton.gov.uk	
Director	Name:	Mel Creighton	Tel: 023 8083 4897
	E-mail:	Mel.creighton@southampton.gov.uk	

STATEMENT OF CONFIDENTIALITY	
NOT APPLICABLE	
BRIEF SUMMARY	
The purpose of this report is to provide the Governance Committee with an overview of the final position against the Council’s 2015/16 audit plan, and the external auditors initial plans for the 2016/17 audit.	
RECOMMENDATIONS:	
	(i) To note the Progress Report set out in Appendix 1.
REASONS FOR REPORT RECOMMENDATIONS	
1.	The Progress Report is a key mechanism in ensuring that the external audit is aligned with the Governance Committee’s service expectations.
ALTERNATIVE OPTIONS CONSIDERED AND REJECTED	
2.	No alternative options considered.
DETAIL (Including consultation carried out)	
3.	The progress report has been discussed and agreed with senior officers within the Council.
RESOURCE IMPLICATIONS	
<u>Capital/Revenue</u>	
4.	None.
<u>Property/Other</u>	
5.	None.
LEGAL IMPLICATIONS	
<u>Statutory power to undertake proposals in the report:</u>	
6.	External audit is undertaken in accordance with the requirements of the Local Audit & Accountability Act 2014 the National Audit Office’s 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments Ltd, auditing standards and other professional requirements.

<u>Other Legal Implications:</u>	
7.	None.
POLICY FRAMEWORK IMPLICATIONS	
8.	None.

KEY DECISION?	No
WARDS/COMMUNITIES AFFECTED:	N/A

SUPPORTING DOCUMENTATION

Appendices

1.	Progress Report
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Documents In Members' Rooms

1.	None
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Equality Impact Assessment

Do the implications/subject of the report require an Equality Impact Assessment (EIA) to be carried out.	No
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Privacy Impact Assessment

Do the implications/subject of the report require a Privacy Impact Assessment (PIA) to be carried out.	No
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Other Background Documents

Equality Impact Assessment and Other Background documents available for inspection at:

Title of Background Paper(s)	Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)
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1.	None
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Southampton City Council

Governance Committee Progress Report

December 2016



Governance Committee
Southampton City Council
Civic Road
Southampton
SO14 7LY

1 December 2016

Dear Committee Member

Audit Progress Report

We are pleased to attach our Audit Progress Report.

The purpose of this report is to provide the Committee with an overview of the final position against the Council's 2015/16 audit plan, and our initial plans for the 2016/17 audit. This 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 Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, 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
Executive Director
For and behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) has issued the ‘Statement of responsibilities of auditors and audited bodies’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between 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 ‘Terms of Appointment’ (updated September 2015) issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This progress update is prepared in the context of the Statement of responsibilities. It is addressed to the Governance Committee, and is prepared for the sole use of the audited body. 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.

2015/16 work program

Our 2015/16 Annual Audit Letter was presented to the November 2016 Governance Committee.

This letter communicated to Members and external stakeholders, including members of the public, the key issues arising from our audit work. We had already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to the July 2016 Governance Committee.

Our 2015/16 Annual Audit Letter also informed Members that our work on the certification of the Council's claims and returns was ongoing in November 2016.

We are presenting our annual report on the certification of claims and returns to the Governance Committee today. This completes our work program in relation to the 2015/16 financial year.

2016/17 audit

Fee letter

We issued our 2016/17 fee letter to the Council on 7th April 2016. This was reported to the July 2016 Governance Committee.

Financial Statements

We adopt a risk based approach to the audit and, as part of our continuous planning we have held a number of meetings with key officers and other stakeholders to ensure the 2016/17 audit runs as smoothly as possible and to identify any risks and technical accounting issues that require our early consideration. Recent meetings include:

- October 2016 – attendance at the Monthly Audit Operational Meeting to reflect on what went well in 2015/16 and consider early preparation for the 2016/17 audit; and
- November 2016 – our monthly meeting with the Service Director Finance & Commercialisation, and her team, to update our understanding of the challenges and risks you are facing.

Planning and interim visit

We are scheduled to complete our initial planning work, including the walkthrough of the key financial systems in December 2016.

There are no significant matters arising from our initial planning meetings that we need to bring to your attention at this stage.

We will update the Committee when the testing of controls and early substantive testing has been completed. This work is scheduled for February 2017.

Internal Audit

Internal Audit is a key part of the Council's internal control environment that we review during our assessment process. This process helps us to assess the level of risk of material errors occurring in the financial statements and informs the level of testing that we are required to complete in support of the audit opinion. We consider Internal Audit's progress with their annual audit plan and the results of their testing of financial systems and, where it is appropriate to do so, we will undertake procedures to enable us to place reliance upon this testing.

Post statements visit

Our post statements visit is planned for June and July 2017. We have commenced early discussions on the working papers required in support of the audit.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll and journal entries. These tools facilitate our analysis of these data sets and allow us to focus our testing in areas of highest risk.

Our detailed audit plan, setting out the risks we have identified and the work we will undertake in response, will be presented to the Governance Committee in February 2017.

Value for money

Our initial risk assessment is ongoing. We will report any risks we identify and a proposed work program to address them in our audit plan that is scheduled for the February 2017 Governance Committee.

Other issues of interest

Highways Network Assets

At its meeting on 9 November, the CIPFA (Chartered Institute of Public Finance Accountants) LASAAC (Local Authority Accounting Code Board) decided to postpone the full implementation of the move to measuring Highways Network Assets at Depreciated Replacement Cost in local authority financial statements. It will issue an update to the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the Code) to confirm this in due course. CIPFA / LASAAC will review this position at its meeting in March 2017 with a view to implementation in 2017/18.

When implemented, this fundamental change in approach will require new accounting and estimation approaches as well as amendments to existing systems, or implementation of new systems. The impact on the Council's balance sheet will be highly significant. The impact on the audit will also be significant, as auditors will need to obtain sufficient assurance over the material accuracy of the valuation of these assets.

We will continue to work closely with the Council at both the local level, regarding system implementation, valuation procedures and accounting, and at a national level through the continuation of our HNA Client Workshops.

Sector briefings

In addition to our formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Sector Briefings.

Timetable

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 2016/17 Governance Committee cycle.

Audit phase	EY Timetable	Deliverable	Reported	Status
High level planning	Ongoing	Audit Fee Letter	Issued 7 th April 2016 Reported July 2016	Completed
Risk assessment and setting of scope of audit	Dec 2016 - January 2017	Audit Plan	February 2017	In progress
Testing of routine processes and controls	February 2017	Progress Report	April 2017	Work is planned to start in February 2017.
Year-end audit	June – July 2017	Audit results report to those charged with governance. Audit report (including our opinion on the financial statements and a conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions. Audit Completion certificate	To be confirmed	Work is planned to start during June 2017.

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