

AUDIT & GOVERNANCE COMMITTEE

30 June 2016 at 9.30 am

Present: - Councillors Clayden, (Chairman), Mrs Oakley, (Vice-Chairman), L Brown, Edwards, Mrs Porter, Miss Rhodes and Wheal.

[Note: Councillor Edwards was absent from the meeting during consideration of the matters referred to within Minute 72 [Part] to Minute 73].

56. WELCOME

The Chairman welcomed the Audit Manager from Ernst & Young and Officers from the Internal Audit and Finance teams to the meeting.

The Chairman formally welcomed Councillors Edwards, Mrs Porter and Wheal as new Members to the Committee.

57. APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillors Brooks, D Maconachie and Mrs Maconachie.

58. DECLARATIONS OF INTEREST

The Monitoring Officer has advised Members of interim arrangements to follow when making declarations of interest. They have been advised that for the reasons explained below, they should make their declarations on the same basis as the former Code of Conduct using the descriptions of Personal and Prejudicial Interests.

Reasons

- The Council has adopted the Government’s example for a new local code of conduct, but new policies and procedures relating to the new local code are yet to be considered and adopted.
- Members have not yet been trained on the provisions on the new local code of conduct.
- The definition of Pecuniary Interests is narrower than the definition of Prejudicial Interests, so by declaring a matter as a Prejudicial Interest, that will cover the requirement to declare a Pecuniary Interest in the same matter.

Where a member declares a “Prejudicial Interest”, this will, in the interests of clarity for the public, be recorded in the minutes as a Prejudicial and Pecuniary Interest.

There were no Declarations of Interest made.

59. MINUTES

The Minutes of the meeting of the Committee held on 25 February 2016 were approved by the Committee as a correct record and were signed by the Chairman.

60. START TIMES

The Committee

RESOLVED

That its start times for meetings during 2016/2017 be 9.30 am.

61. DRAFT COMMITTEE WORK PLAN FOR 2016/2017

The Committee received a report from the Chief Internal Auditor who presented the draft Work Plan for the Committee for 2016/2017 which Members were asked to approve. For the benefit of new Members, it was explained that the Committee, at the start of each municipal year, was required to agree its Work Plan but that it did have the flexibility to request Officer reports as required.

Although there was little change proposed to the core activities for 2016/2017, the Chief Internal Auditor highlighted the following issues:

- Due to the Local Audit and Accountability Act there would be new arrangements that would need to be put into place for the future appointment of external auditors. A Council decision on the mechanism to be adopted would be required by January 2017 to allow for the appointment of external auditors for 2018/2019.
- As part of the Council’s 2020 Vision work arrangements the future provision of internal audit was being considered. Once the debate on this had taken place at Cabinet on 11 July and then Full Council on 20 July 2016, arrangements would be made to update the Committee further on this issue.

Finally, as required by the Council’s Constitution, the Work Plan included an item to receive a report on any Council use of the Regulation of Investigatory Powers Act (RIPA) 2010 (as amended). The Committee was informed and was asked to endorse that for the 2016/2017 Municipal Year, no such RIPA use had been authorised/undertaken.

Following some further discussion, the Committee then

RESOLVED – That

- (1) the Committee’s future Work plan for 2016/2017 be approved; and
- (2) the lack of use of RIPA powers in the 2015/2016 Municipal Year be endorsed.

62. AUDIT OF ARUN DISTRICT COUNCIL’S FINANCIAL STATEMENTS – COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

The Committee received and noted the Chairman’s response sent to Ernst & Young regarding the Council’s Financial Statements and compliance with International Auditing Standards.

63. ERNST & YOUNG – AUDIT PLAN

The Committee again welcomed the Audit Manager from Ernst & Young to the meeting to present the Audit Plan.

The Audit Plan set out how Ernst & Young intended to carry out its responsibilities as external auditor and it covered the work that Ernst & Young proposed to perform in undertaking its proposed audit approach and scope for the 2016 audit. This was in accordance with the requirements of the Local Audit and Accountability Act 2014; the Code of Audit Practice; the Standing Guidance; auditing standards and other professional requirements.

The report summarised Ernst & Young’s assessment of the key risks and it helped to ensure that the audit was aligned with the Committee’s other expectations.

The Audit Manager outlined that the Audit Plan would provide the Council with an audit opinion on whether the financial statements of the Council gave a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended and a statutory conclusion on the Council’s arrangements to secure economy, efficiency and effectiveness.

The Audit Manager then drew Members’ attention to the key points within the Audit Plan.

The Committee

RESOLVED

That Ernst & Young’s Audit Plan be approved.

64. ERNST & YOUNG – ANNUAL FEE LETTER – 2016/2017

The Committee received and noted Ernst & Young’s Annual Fee Letter for 2016/2017 which confirmed the audit and certification work proposed for the 2016/2017 financial year at the Council. The fee reflected the risk-based approach to audit planning set out in the Code of Audit Practice and the work overseen by Public Sector Audit Appointments Limited, as the current commissioning body).

65. APPROVAL OF ACCOUNTING POLICIES

The Committee was asked to consider and agree the Accounting Policies that would be applied to the Statement of Accounts for 2015/2016 which would be agreed by the Committee in September 2016.

The Committee then

RESOLVED

That the Accounting Policies could be applied to the Statement of Accounts for 2015/2016.

66. COMPLETION OF 2015/2016 ANNUAL ACCOUNTS/DRAFT ACCOUNTS

The Head of Finance and Property confirmed that the Council's 2015/2016 Annual Accounts had been completed by the end of June 2016 and would be presented for review and sign-off by the Committee at its September 2016 meeting.

67. ANNUAL GOVERNANCE STATEMENT 2015/2016 AND CODE OF CORPORATE GOVERNANCE 2016/2017

The Committee received a report from the Chief Internal Auditor which presented two documents for the Committee to approve.

The first was the draft updated Annual Governance Statement which formally accompanied the annual accounts and covered the period of the accounts 2015/2016. This was a backward looking document that had been prepared for and considered by the Council's Governance and Risk Group based upon the Council's local Code of Corporate Governance and other supporting documentation, including the Council's Strategic Risk Register and the annual audit opinion provided by the Chief Internal Auditor.

The Chief Internal Auditor outlined to the Committee that for this year the Annual Governance Statement had been presented in the same format used for recent years but that in April 2016, CIPFA had published its new Delivering Good Governance in Local Government framework and associated Guidance Note meaning that in future years, and for the preparation for future Statements, the Council would be required to assess it against amended governance criteria and the format of the document presented would need to be revised to ensure that it met new requirements.

The second document was the draft Code of Corporate Governance which had also been considered by the Governance and Risk Group. Both documents had been updated to reflect relevant changes and progress made by the Council in 2015/2016. The Committee was alerted to the required changes which had been highlighted in grey with the most significant changes relating to the Council's ongoing Vision work. The Chief Internal Auditor also briefly touched upon the other key changes included.

The Committee then

RESOLVED – That

- (1) the changes to the local Code of Corporate Governance be endorsed; and
- (2) the Council's Annual Governance Statement for 2015/2016 be approved.

68. TREASURY MANAGEMENT – ANNUAL REPORT 2015/2016

The Senior Accountant/Treasury & Investment Officer presented the Treasury Management Annual Report for 2015/2016 to the Committee for it to scrutinise prior to making the proposed recommendations to Full Council.

The Committee was advised that this report summarised:

- Capital activity during the year;
- The impact of this activity on the Capital Financing Requirement;
- Reports on the required prudential and treasury indicators;
- The overall treasury position and the impact of investment balances;
- Interest rate movements in the year; and
- Investment outturn for 2015/2016.

Having congratulated staff in achieving such good returns on its investments, the Committee

RECOMMEND TO FULL COUNCIL – That

- (1) the actual prudential and treasury indicators for 2015/2016 contained in the report be approved;
- (2) the treasury management report for 2015/2016 be noted;
- (3) the treasury activity during 2015/2016 which has generated interest receipts of £660,723 (1.13%) (Budget £435,000 – 0.87%) be noted.

69. COUNTER-FRAUD REPORT 2015/2016

The Committee received a report from the Chief Internal Auditor which explained that as part of the annual work plan for the Committee, an annual report on counter-fraud activity had to be presented for endorsement.

This report updated the Committee on Counter-Fraud for 2015/2016 and included a number of appendices of supporting information which the Committee worked through.

Questions asked related to:

- Housing Tenancy – the Committee was pleased with the progress made and the results delivered from the pilot exercise that had started in 2016 with the creation of a dedicated Housing Fraud Investigator post, which had been funded through the HRA – (Housing Revenue Account). The results showed that in the first quarter, 35 cases had been referred for investigation with 22 still in progress. Councillor Clayden, also as the Chairman of the Housing and Customer Services Working Group, was able to update the Committee by confirming that 9 properties linked to housing tenancy fraud investigations had now been recovered allowing placement of new tenants from the Housing Register. Due to the results that this post was delivering, the Committee wished to have placed on record its view that the temporary Housing Fraud Investigator post should be extended and measures should be put into place to look at making the position permanent.
- Council Tax Single Person Discount – for the benefit of new Members to the Committee, the Chief Internal Auditor explained how the review of the single person discount entitlement worked and the success such work had brought. As a result of such work, 501 accounts had had the Single Person Discount (SPD) removed with an approximate rebilling value of £200k. Although this was good news, Councillor Wheal asked if he and the rest of the Committee could be provided with information in terms of how much this cost the authority. The Chief Internal Auditor ensure Councillor Wheal that this would be provided to him and the rest of the Committee via email. The Chief Internal Auditor confirmed that he would make enquiries on this and would provide the information to the Committee.

The Committee then

RESOLVED

That the Counter-Fraud work performed by the Council in 2015/2016 be endorsed.

70. CHAIRMAN’S ANNUAL REPORT TO FULL COUNCIL – 2015/2016

The Chairman presented the annual report on the work of the Audit and Governance Committee for 2015/2016 for Members to consider. Councillor Mrs Oakley, as Chairman of the Committee for 2015/2016, wished to have formally recorded her thanks to the Chief Internal Auditor for his help and assistance in its preparation.

The Committee

RECOMMEND TO FULL COUNCIL

That the Chairman’s Annual Report for 2015/2016 be presented to Full Council for approval.

71. INFORMATION/ADVISORY DOCUMENTS RECEIVED

The Committee received and noted the information/advisory documents received, as attached to the agenda.

72. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2015/2016

The Committee received the Internal Audit Annual Report and Opinion for 2015/2016 from the Chief Internal Auditor. This summarised the work undertaken by Internal Audit during the year ended 31 March 2016.

The Committee was advised that the report confirmed the Chief Internal Auditor’s ‘independent’ opinion on the adequacy and effectiveness of the systems of internal control operating within the Council. This would provide the signatories to the Annual Governance Statement (the Chief Executive and the Leader of the Council) with a degree of assurance on this matter. In reaching the opinion, consideration had been given to the Council’s governance arrangements and to the internal control environment in the light of the work of Internal Audit carried out throughout the year.

Consideration had also been given to the findings of the Council’s external auditors, Ernst & Young, who had given an unqualified opinion to the Council’s Annual Accounts for 2014/15, which had been approved by the Committee in September 2015.

The Committee was again advised that the Public Sector Internal Audit Standards (PSIAS) required that internal audit be subject to an external quality assessment at least once every 5 years by a qualified independent assessor/assessment team from outside the organisation. It was anticipated that this would be undertaken as part of a programme of assessments undertaken by the Sussex Audit Group commencing in early 2016. This Council’s assessment was currently expected to be conducted in late 2016 or 2017 by Heads of Audit from two District Councils in East Sussex. Further updates on this would be report to the Committee at its next meeting.

Since 2010, annual additional documents had been reviewed and approved by the Committee covering:

- Self-Assessment Checklist Measuring the Effectiveness of Internal Audit; and
- Self-Assessment Checklist Measuring the Audit Committee’s Effectiveness

Both of these documents had been added to the report as appendices and once endorsed by the Committee would be signed by the Chairman following the meeting.

The Committee

RESOLVED

That the work carried out by Internal Audit in 2015/2016 be endorsed.

73. PROGRESS AGAINST THE AUDIT PLAN

The Committee received and noted a report from the Chief Internal Auditor which monitored the delivery of progress made against last year’s Audit Plan. A supplementary status report was also provided.

(The meeting concluded at 11.43 am.)